BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

FINANCIAL STATEMENTS

Period from September 1, 2018 to June 30, 2019
## BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

### FINANCIAL STATEMENTS

Period from September 1, 2018 to June 30, 2019

### CONTENTS

<table>
<thead>
<tr>
<th>Sections</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEPENDENT AUDITORS’ REPORT</td>
<td>1 - 2</td>
</tr>
<tr>
<td>FINANCIAL STATEMENTS</td>
<td></td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities and Changes in Net Assets</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>5</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7 - 14</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of

BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

We have audited the accompanying financial statements of Boys & Girls Clubs of Metropolitan Phoenix Foundation (an Arizona non-profit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from September 1, 2018 to June 30, 2019, 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 Boys & Girls Clubs of Metropolitan Phoenix Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the period September 1, 2018 to June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Boys & Girls Clubs of Metropolitan Phoenix Foundation adopted Financial Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in 2019. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

November 20, 2019
# BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2019

### ASSETS

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$4,647</td>
</tr>
<tr>
<td>Investments</td>
<td>3,282,678</td>
</tr>
<tr>
<td>Bequest receivable</td>
<td>10,122</td>
</tr>
<tr>
<td>Proceeds receivable from sale of investment</td>
<td>393,169</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>3,690,616</strong></td>
</tr>
<tr>
<td>Investments</td>
<td>3,397,340</td>
</tr>
<tr>
<td>LAND HELD FOR INVESTMENT</td>
<td>405,242</td>
</tr>
<tr>
<td>CASH SURRENDER VALUE OF LIFE INSURANCE</td>
<td>149,567</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$7,642,765</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Liability Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions payable to the Clubs</td>
<td>$232,026</td>
</tr>
<tr>
<td>Accounts payable to the Clubs</td>
<td>119,257</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,254</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td><strong>355,537</strong></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>3,889,888</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>3,397,340</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td><strong>7,287,228</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$7,642,765</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements
BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Period from September 1, 2018 to June 30, 2019

<table>
<thead>
<tr>
<th>Without Donor Restriction</th>
<th>With Donor Restriction</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$22,608</td>
<td>$5,500</td>
</tr>
<tr>
<td>Net realized and unrealized losses</td>
<td>(247,087)</td>
<td>-</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>317,087</td>
<td>-</td>
</tr>
<tr>
<td>Change in cash surrender value of life insurance</td>
<td>6,526</td>
<td>-</td>
</tr>
<tr>
<td>Total support and revenues before net assets released from restrictions</td>
<td>99,134</td>
<td>5,500</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORT AND REVENUES</strong></td>
<td>99,134</td>
<td>5,500</td>
</tr>
</tbody>
</table>

EXPENSES

- Annual contribution to the Clubs: 394,994
- Personnel costs: 58,937
- Professional fees: 17,667
- Insurance: 19,752
- Property taxes: 4,332
- Occupancy: 271
- Equipment and maintenance: 5,553
- Conferences and meetings: 1,096
- Telephone: 1,152
- Printing and publications: 208
- Supplies: 282
- Postage: 157
- Other: 73

**TOTAL EXPENSES**: 504,474

CHANGE IN NET ASSETS

(405,340) 5,500 (399,840)

NET ASSETS, BEGINNING OF PERIOD

4,295,228 3,391,840 7,687,068

NET ASSETS, END OF PERIOD

$3,889,888 $3,397,340 $7,287,228

See Notes to Financial Statements

-4-
### BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

#### STATEMENT OF FUNCTIONAL EXPENSES

Period from September 1, 2018 to June 30, 2019

<table>
<thead>
<tr>
<th>Social Adjustment, Development and Recreation Programs</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual contribution to the Clubs</td>
<td>$ 394,994</td>
<td>$ -</td>
<td>$ 394,994</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>- 58,937</td>
<td>-</td>
<td>58,937</td>
</tr>
<tr>
<td>Professional fees</td>
<td>- 17,667</td>
<td>-</td>
<td>17,667</td>
</tr>
<tr>
<td>Insurance</td>
<td>- 19,752</td>
<td>-</td>
<td>19,752</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>- 4,332</td>
<td>-</td>
<td>4,332</td>
</tr>
<tr>
<td>Occupancy</td>
<td>- 271</td>
<td>-</td>
<td>271</td>
</tr>
<tr>
<td>Equipment and maintenance</td>
<td>- 5,553</td>
<td>-</td>
<td>5,553</td>
</tr>
<tr>
<td>Conferences and meetings</td>
<td>- 1,096</td>
<td>-</td>
<td>1,096</td>
</tr>
<tr>
<td>Telephone</td>
<td>- 1,152</td>
<td>-</td>
<td>1,152</td>
</tr>
<tr>
<td>Printing and publications</td>
<td>- 208</td>
<td>-</td>
<td>208</td>
</tr>
<tr>
<td>Supplies</td>
<td>- 282</td>
<td>-</td>
<td>282</td>
</tr>
<tr>
<td>Postage</td>
<td>- 157</td>
<td>-</td>
<td>157</td>
</tr>
<tr>
<td>Other</td>
<td>- 73</td>
<td>-</td>
<td>73</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$ 394,994</td>
<td>$ 109,480</td>
<td>$ 504,474</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements

-5-
<table>
<thead>
<tr>
<th>Section</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(399,840)</td>
</tr>
<tr>
<td>Adjustment to reconcile change in net assets</td>
<td></td>
</tr>
<tr>
<td>Unrealized losses</td>
<td>181,935</td>
</tr>
<tr>
<td>Realized losses</td>
<td>65,152</td>
</tr>
<tr>
<td>Contributions restricted in perpetuity</td>
<td>(5,500)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in:</td>
<td></td>
</tr>
<tr>
<td>Bequest receivable</td>
<td>179,239</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
</tr>
<tr>
<td>Contributions payable to the Clubs</td>
<td>(155,006)</td>
</tr>
<tr>
<td>Accounts payable to the Clubs</td>
<td>96,412</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,454</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(36,154)</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>1,003,599</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(962,599)</td>
</tr>
<tr>
<td>Change in cash surrender value of life insurance</td>
<td>(6,526)</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>34,474</td>
</tr>
<tr>
<td>CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>Proceeds from receipt of contributions restricted in perpetuity</td>
<td>5,500</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>5,500</td>
</tr>
<tr>
<td>CHANGE IN CASH AND CASH EQUIVALENTS</td>
<td>3,820</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</td>
<td>827</td>
</tr>
<tr>
<td>CASH AND CASH EQUIVALENTS, END OF PERIOD</td>
<td>$4,647</td>
</tr>
</tbody>
</table>
(1) Foundation operations and summary of significant accounting policies

Nature of operations - Boys & Girls Clubs of Metropolitan Phoenix Foundation (the “Foundation”), an Arizona nonprofit organization, was incorporated in 1984 to oversee the assets of the former endowment fund of Boys & Girls Clubs of Metropolitan Phoenix, Inc. (the “Clubs”) to ensure the long-term viability of the Clubs. The bylaws of the Foundation limit expenditures to those that pay Foundation expenses or those that are for the benefit of the Clubs. The Foundation made a contribution to the Clubs of $394,994 in 2019. Outstanding payables from this gift was $232,026 at June 30, 2019. The mission of the Foundation also includes marketing endowment-giving programs and estate planning opportunities on behalf of the Clubs. Endowment gifts ensure support for the programs of the Clubs in perpetuity.

The significant accounting policies followed by the Foundation are as follows:

Basis of presentation - The accompanying 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 its financial position and activities according to the following net asset classifications:

- **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 organization. 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, where by 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 (“GAAP”) 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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 restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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. Restricted support, where restrictions are met in the same period as the contribution is made, is shown as unrestricted support. Donations from three donors represent approximately 70% of total contributions for the period ended June 30, 2019.

Bequests - Bequests 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.
Foundation operations and summary of significant accounting policies (continued)

Cash and cash equivalents - Cash and cash equivalents consists of cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each financial institution are insured in limited amounts by the Federal Deposit Insurance Corporation (“FDIC”).

Investments - The Foundation accounts for 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 is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value.

Under FASB ASC 958-325, investments not accounted for under FASB 958-320, including land held for investment, are generally recorded at the lower of cost or fair value.

For certain investments in equity instruments that do not have a readily determinable fair value, the Foundation has made an election under FASB ASC 825 to report these individual investments at fair value. These investments are valued based upon the net asset value which is a practical expedient for estimating fair value. The fair value option was chosen to measure all equity instruments at fair value consistently across the Foundation’s investment portfolio to better track investment performance.

Investment income includes interest income recorded on the accrual basis and dividends recorded on the ex-dividend date. Purchases and sales of investment securities are reflected on a trade-date basis. Realized gains and losses are calculated using the average cost for securities sold. Changes in the value of investments held are shown as unrealized gains or losses. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

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 risk in the near term would materially affect account balances and the amounts in the accompanying financial statements.

Bequest receivable - Bequest receivable is stated at the amount management expects to collect under the terms of the agreement. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of the individual agreement. 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 bequest receivable. Bequest receivable has been deemed to be fully collectable by management and no allowance has been provided as of June 30, 2019.

Functional expenses - Expenses are charged to programs, management and general, and fundraising categories based on direct expenditures incurred. Any expenditures not directly chargeable are allocated based on personnel activity or other appropriate indicators. There were no such allocated expenses in the period from September 1, 2018 to June 30, 2019.
(1) Foundation operations and summary of significant accounting policies (continued)

**Income tax status** - The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, accordingly, there is no provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 of the IRC 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. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Foundation’s federal Return of Organizations Exempt from Income Tax (Form 990) for fiscal 2016, 2017 and 2018 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed. As of the date of this report, the 2019 Form 990 has not been filed.

**Fair value measurements** - 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 also 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.

**Recent accounting pronouncements** - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity should 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 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. 2015-05. 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. 2015-09 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 does not expect the adoption of this standard will have a material impact on the financial statements.
(1) **Foundation operations and summary of significant accounting policies (continued)**

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation adopted ASU 2016-14 in 2019.

In accordance with the amendments of this ASU, the Foundation expanded disclosures around the presentation of expense by function and nature. Additionally, the Foundation disclosed the liquidity and availability of resources.

A summary of the beginning net asset reclassifications driven by the adoption of ASU 2016-14 is as follows:

<table>
<thead>
<tr>
<th>Net Asset Classifications</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As previously reported:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 4,925,228</td>
<td>-</td>
<td>$ 4,925,228</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>-</td>
<td>3,391,840</td>
<td>3,391,840</td>
</tr>
<tr>
<td>Net assets, as reclassified</td>
<td>$ 4,925,228</td>
<td>$ 3,391,840</td>
<td>$ 7,687,068</td>
</tr>
</tbody>
</table>

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The update is intended to be applied on a modified prospective basis, but retrospective application is permitted. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**Subsequent events** - The Foundation has evaluated events through November 20, 2019, which is the date the financial statements were available to be issued.

(2) **Availability and Liquidity**

The following represents the Foundation's financial assets at June 30, 2019:

Financial assets:
- Cash and cash equivalents: $4,647
- Receivables: 403,291
- Investments: 6,680,018
  - Total financial assets: $7,087,956

Less assets restricted due to:
- Investments serving as collateral on Club debt: (580,221)
- Liquidity restrictions on investments: (341)
- Donor restrictions: (3,397,340)
  - Financial assets available to meet general expenditures over the next twelve months: $3,110,054

The Foundation’s goal is generally to maintain financial assets to meet over 360 days of cash operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including asset allocation mutual funds and short-term fixed income mutual funds.
(3) **Investments**

Investments consist of the following at June 30, 2019:

<table>
<thead>
<tr>
<th>Investments Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital appreciation funds:</td>
<td></td>
</tr>
<tr>
<td>Global and international mutual funds</td>
<td>$ 1,888,148</td>
</tr>
<tr>
<td>Domestic large cap mutual funds</td>
<td>1,073,303</td>
</tr>
<tr>
<td>Other equity mutual funds</td>
<td>615,788</td>
</tr>
<tr>
<td>Emerging markets mutual funds</td>
<td>270,035</td>
</tr>
<tr>
<td>Asset allocation mutual funds</td>
<td>1,304,761</td>
</tr>
<tr>
<td><strong>Total capital appreciation funds</strong></td>
<td><strong>5,152,035</strong></td>
</tr>
<tr>
<td>Capital preservation funds:</td>
<td></td>
</tr>
<tr>
<td>Fixed income bond mutual funds</td>
<td>1,527,642</td>
</tr>
<tr>
<td>Other capital preservation funds</td>
<td>341</td>
</tr>
<tr>
<td><strong>Total capital preservation funds</strong></td>
<td><strong>1,527,983</strong></td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td><strong>$ 6,680,018</strong></td>
</tr>
</tbody>
</table>

(4) **Receivables**

The Foundation is the beneficiary of a living trust that matured in 2017 for which the Foundation is not the trustee. The assets expected to be received upon liquidation of the trust totaled $5,000 as of June 30, 2019.

The Foundation is the beneficiary of a trust that matured in 2019 for which the Foundation is not the trustee. The assets expected to be received upon liquidation of the trust totaled $5,122 as of June 30, 2019.

The Foundation had redeemed its investment in a closed-ended fund of funds investment account at June 30, 2019 for the amount of $393,169. The proceeds from the redemption will be collected subsequent to year-end and are included in proceeds receivable from the sale of investment at June 30, 2019.

(5) **Cash surrender value of life insurance**

The Foundation is the named beneficiary of a life insurance policy of a board member. The face amount of the policy is approximately $500,000. The policy is recorded at its cash surrender value. Policy earnings and losses are included in the accompanying statement of activities and change in net assets. Policy expenses are included in insurance expense in the accompanying statement of functional expenses.

(6) **Endowments**

The endowments consist of several individual funds established for a variety of purposes. The endowments are donor-restricted to be held in perpetuity and earnings on the endowments are restricted based on the donor intent. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees 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 Trustees 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.
(6) **Endowments (continued)**

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 in 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.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that consists of equity-based investments and mutual funds. The Foundation utilizes the services of a financial advisor that provides input into the investment strategy and policy.

The Foundation’s annual appropriations are at the discretion of the Board of Trustees unless specific instructions were provided by the endowment donor.

The changes in endowment net assets for the period from September 1, 2018 to June 30, 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, September 1, 2018</td>
<td>$ -</td>
<td>$ 3,391,840</td>
<td>$ 3,391,840</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>5,500</td>
<td>5,500</td>
</tr>
<tr>
<td>Investment return</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>-</td>
<td>139,912</td>
<td>139,912</td>
</tr>
<tr>
<td>Realized and unrealized losses</td>
<td>-</td>
<td>(109,025)</td>
<td>(109,025)</td>
</tr>
<tr>
<td>Amounts appropriated for expenditure</td>
<td>-</td>
<td>(30,887)</td>
<td>(30,887)</td>
</tr>
<tr>
<td>Endowment net assets, June 30, 2019</td>
<td>$ -</td>
<td>$ 3,397,340</td>
<td>$ 3,397,340</td>
</tr>
</tbody>
</table>

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 underwater funds as of June 30, 2019. The Foundation has adopted a spending policy that limits spending from underwater donor restricted endowment funds until such time that the balance within that fund has been restored to the level required to be maintained in perpetuity.
(7) **Fair value measurements**

The following table summarizes the valuation of the Foundation’s assets subject to recurring fair value measurement by the above FASB ASC 820 categories as of June 30, 2019:

<table>
<thead>
<tr>
<th>Capital appreciation funds:</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global and international mutual funds</td>
<td>$1,888,148</td>
<td>$1,888,148</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Domestic large cap mutual funds</td>
<td>1,073,303</td>
<td>1,073,303</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other equity mutual funds</td>
<td>615,788</td>
<td>615,788</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Emerging markets mutual funds</td>
<td>270,035</td>
<td>270,035</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asset allocation mutual funds</td>
<td>1,304,761</td>
<td>1,304,761</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total capital appreciation funds</strong></td>
<td><strong>5,152,035</strong></td>
<td><strong>5,152,035</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital preservation funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income bond mutual funds</td>
<td>1,527,642</td>
<td>1,527,642</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,679,677</strong></td>
<td><strong>$6,679,677</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The following table summarizes the nature and risk of the investments which are reported at NAV as of June 30, 2019 and not included in the fair value table above:

<table>
<thead>
<tr>
<th>2019 Fair Value</th>
<th>Unfunded Commitments</th>
<th>Redemption Frequency</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMH Class B stock</td>
<td>$341</td>
<td>$</td>
<td>Quarterly after 6 months</td>
</tr>
</tbody>
</table>

IMH Financial Corporation ("IMH") is a real estate based investment company. The IMH stock is not publicly traded and is being held by a custodian until IMH completes an initial public offering or decides not to pursue an offering. The Class B common stock is not eligible for conversion into common stock until, and subject to transfer restrictions that lapse upon, predetermined intervals of six, nine, or twelve months following the earlier of the consummation of an initial public offering or the 90th day after the board of directors of IMH determines that it will not pursue an initial public offering. Any time after this six month anniversary, 25% of the Class B shares will be eligible to convert into shares of IMH common stock and will not be subject to restrictions. Any time after the nine-month anniversary of the earlier of the consummation of an initial public offering or the 90th day after the board of directors of IMH determines that it will not pursue an initial public offering, 25% of the Class B shares will be eligible to convert into shares of IMH common stock and will not be subject to restrictions. Any time after the twelve-month anniversary of the earlier of the consummation of an initial public offering or the 90th day after the board of directors of IMH determines that it will not pursue an initial public offering, 50% of the Class B shares will be eligible to convert into shares of IMH common stock and will not be subject to restrictions.

Any time after the twelve-month anniversary of the earlier of the consummation of an initial public offering or the 90th day after the board of directors of IMH determines that it will not pursue an initial public offering, 50% of the Class B shares will be eligible to convert into shares of IMH common stock and will not be subject to restrictions. If, at any time after the five-month anniversary of the consummation of an initial public offering, the closing price of IMH’s common stock is greater than 125% of the offering price in an initial public offering for 20 consecutive trading days, all shares of Class B common stock will be convertible into shares of IMH common stock that will not be subject to restrictions on transfer under the certificate of incorporation of IMH.

The Foundation had no other assets or liabilities subject to fair value measurement other than at initial recognition.
(8) **Commitments and contingencies**

The Foundation has committed as collateral certain investment securities on a line of credit agreement entered into by the Clubs. The Clubs entered into a $1,500,000 line of credit on July 26, 2013 for the purpose of pre-paying long-term debt in fiscal 2014. The line is for a period of 5 years, carries a fixed 2.45% interest rate, and will be amortized over a 7 year term. During fiscal 2016, the Clubs refinanced the line of credit and retired the existing line. The new line is for a period of 5 years, carries a fixed 3.50% interest rate, and will be amortized over a 7 year term. The line is collateralized by securities of the Foundation. At June 30, 2019 approximately $580,221 was outstanding under these lines of credit.

(9) **Related party transactions**

The Foundation reimbursed the Clubs $67,527 for operational activity costs that were conducted by staff of the Clubs during 2019. These expenses are included in the accompanying statement of functional expenses. Accounts payable to the Clubs related to reimbursement of operational activity costs was $119,257 at June 30, 2019.