BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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CONTENTS

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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, 2020, and the related statement 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 ***Boys & Girls Clubs of Metropolitan Phoenix Foundation*** as of June 30, 2020, and the change 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.

December 29, 2020

BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

A S S E T S

CURRENT ASSETS		
Cash and cash equivalents	$	39,570
Investments		3,194,113
TOTAL CURRENT ASSETS		3,233,683
ENDOWMENT PLEDGE RECEIVABLE		500,000
INVESTMENTS		3,855,461
LAND HELD FOR INVESTMENT		405,242
CASH SURRENDER VALUE OF LIFE INSURANCE		153,856
TOTAL ASSETS	$	8,148,242

L I A B I L I T I E S   A N D   N E T   A S S E T S

CURRENT LIABILITIES		
Contributions payable to the Clubs	$	384,782
Accounts payable to the Clubs		92,497
TOTAL CURRENT LIABILITIES		477,279
NET ASSETS		
Without donor restrictions		3,315,502
With donor restrictions		4,355,461
TOTAL NET ASSETS		7,670,963
TOTAL LIABILITIES AND NET ASSETS	$	8,148,242

See Notes to Financial Statements

BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Totals
SUPPORT AND REVENUES			
Contributions	$ 26,197	$ 1,000,000	$ 1,026,197
Net realized and unrealized losses	(158,473)	(138,407)	(296,880)
Investment income, net	139,147	121,528	260,675
Change in cash surrender value of life insurance	4,289	-	4,289
Total support and revenues before net assets released from restrictions	11,160	983,121	994,281
Net assets released from restrictions	25,000	(25,000)	-
TOTAL SUPPORT AND REVENUES	36,160	958,121	994,281
EXPENSES			
Annual contribution to the Clubs	409,782	-	409,782
Personnel costs	143,186	-	143,186
Professional fees	17,563	-	17,563
Insurance	23,291	-	23,291
Property taxes	4,224	-	4,224
Occupancy	428	-	428
Equipment and maintenance	8,580	-	8,580
Conferences and meetings	836	-	836
Telephone	1,464	-	1,464
Printing and publications	382	-	382
Supplies	314	-	314
Postage	132	-	132
Other	364	-	364
TOTAL EXPENSES	610,546	-	610,546
CHANGE IN NET ASSETS	(574,386)	958,121	383,735
NET ASSETS, BEGINNING OF YEAR	3,889,888	3,397,340	7,287,228
NET ASSETS, END OF YEAR	$ 3,315,502	$ 4,355,461	$ 7,670,963

BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Social Adjustment, Development and Recreation Programs	Management and General	Fundraising	Totals
Annual contribution to the Clubs	$ 409,782	$ -	$ -	$ 409,782
Personnel costs	-	143,186	-	143,186
Professional fees	-	17,563	-	17,563
Insurance	-	23,291	-	23,291
Property taxes	-	4,224	-	4,224
Occupancy	-	428	-	428
Equipment and maintenance	-	8,580	-	8,580
Conferences and meetings	-	836	-	836
Telephone	-	1,464	-	1,464
Printing and publications	-	382	-	382
Supplies	-	314	-	314
Postage	-	132	-	132
Other	-	364	-	364
TOTAL EXPENSES	$ 409,782	$ 200,764	$ -	$ 610,546

See Notes to Financial Statements

BOYS & GIRLS CLUBS OF METROPOLITAN PHOENIX FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 383,735
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Unrealized losses	275,990
Realized losses	20,890
Contributions restricted in perpetuity	(1,000,000)
Changes in operating assets and liabilities:	
Decrease (increase) in:	
Bequest receivable	10,122
Investment receivable	393,169
Increase (decrease) in:	
Contributions payable to the Clubs	(59,146)
Accounts payable to the Clubs	185,142
Accounts payable	(4,254)
Net cash provided by operating activities	205,648
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	2,116,091
Purchases of investments	(2,782,527)
Change in cash surrender value of life insurance	(4,289)
Net cash used in investing activities	(670,725)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from receipt of contributions restricted in perpetuity	500,000
Net cash provided by financing activities	500,000
CHANGE IN CASH AND CASH EQUIVALENTS	34,923
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,647
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 39,570

(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 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 a made contribution to the Clubs of $409,782 in 2020. Outstanding payables from this gift was $384,782 at June 30, 2020. 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.

Effective March 6, 2020, the Clubs amended its incorporated name to Boys & Girls Clubs of the Valley, Inc. In addition, the Foundation amended its name to Boys & Girls Clubs of the Valley Foundation, Inc. effective August 10, 2020.

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 following net asset classifications:

<u>Net assets without donor restrictions</u>: 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.

<u>Net assets with donor restrictions</u>: 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 (“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 year. Actual results could differ from those estimates.

Contributions - The Foundation adopted FASB Accounting Standards Update (“ASU”) No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective July 1, 2019 on a modified prospective basis. ASU 2018-08 clarifies the characterization of grants as either reciprocal transaction (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provides 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 grantor or resource provider. The transfer of commensurate value from the Foundation to the grantor or 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.

(1) Foundation operations and summary of significant accounting policies (continued)

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 to 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 recognizes amounts received from unconditional contributions at the time the Foundation receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Foundation. As of June 30, 2020, the Foundation had no contributions that are conditional in nature.

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. One donation from a single donor represents approximately 97% of total contributions for the year ended June 30, 2020 and 100% of total endowment pledge receivable as of June 30, 2020.

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.

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 958-321, *Not-for-Profit Entities - Investments - Equity Securities*, FASB ASC 958-320, *Not-for-Profit Entities - Investments - Debt Securities* and FASB ASC 958-325, *Not-for-Profit Entities - Investments - Other*. Under FASB ASC 958-320 and FASB ASC 958-321, the Foundation reports investments in equity and debt securities at fair value in the statement of financial position. The fair value of marketable equity securities with readily determinable fair values are based on quoted market prices. The fair value of fixed income securities are measured using quoted market prices multiplied by the quantity held when quoted market prices are observable. If quoted market prices are not available, fair value is determined using one, or a combination, of the following methods (1) a matrix pricing for similar bonds, (2) quoted prices for recent trading activity of assets with similar characteristics to the bond or (3) using an income approach valuation technique that considers, among other things, rates currently observed in publicly traded debt markets for debt of similar terms to companies with comparable credit risk and a credit value adjustment to consider the likelihood of counterparty nonperformance, after consideration for the impact of collateralization and netting agreements, if applicable.

(1) Foundation operations and summary of significant accounting policies (continued)

Under FASB ASC 958-325, investments not accounted for under FASB 958-320 or FASB 958-321, including land held for investment, are generally recorded at the lower of cost of fair value.

A portion of the investments are held for the endowment fund and are net assets with donor restrictions. Based on the long-term nature of the endowment fund, such investments are classified as long-term assets in the accompanying statement of net financial position.

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.

Pledges receivable - Pledges receivable (promises to give) that are to be collected within one year are recorded at net realizable value. Pledges receivable 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, pledges receivable 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 receivable 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 organization’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 the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The pledges receivable at June 30, 2020 are considered by management to be collectible in full, and accordingly, an allowance for uncollectible pledges receivable is not considered necessary.

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 during 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 (“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.

(1) Foundation 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 Internal Revenue Service ("IRS"), generally for three years after they were filed. As of the date of this report, the 2020 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 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. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Transition to the new guidance may be done using either a full or modified retrospective method. The Foundation adopted this standard as of July 1, 2019, using a modified retrospective approach to contracts that were not completed as of this date.

Under the modified retrospective approach, the guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to beginning net assets. Amounts reported related to 2019 are unadjusted for the effects of ASC Topic 606. The timing of revenue recognition was not affected by the adoption of Topic 606. As a result, there was no adjustment to net assets as of July 1, 2019.

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.

(1) Foundation operations and summary of significant accounting policies (continued)

ASU 2018-08 is effective for annual periods beginning after December 15, 2019. The Foundation adopted this ASU during 2020 using the modified prospective approach. Adoption of this ASU did not impact the timing of revenue recognition, but expanded disclosures around the remaining contract value available to be recognized in future periods.

Subsequent events - The Foundation has evaluated events through December 29, 2020, which is the date the financial statements were available to be issued.

(2) Availability of resources and liquidity

The following represents the Foundations financial assets at June 30, 2020:

Financial assets:	
Cash and cash equivalents	$ 39,570
Pledge receivable	500,000
Investments	7,049,574
Total financial assets	$ 7,589,144
Less assets restricted due to:	
Investments serving as collateral on Club debt	(449,726)
Liquidity restrictions on investments	(341)
Donor restrictions	(4,355,461)
Financial assets available to meet general expenditures over the next twelve months	$ 2,783,616

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, 2020:

Capital appreciation funds:	
Global and international mutual funds	$ 1,842,224
Domestic large cap mutual funds	1,055,058
Other equity mutual funds	1,038,558
Emerging markets mutual funds	247,644
Asset allocation mutual funds	1,510,995
Total capital appreciation funds	5,694,479
Capital preservation funds:	
Fixed income bond mutual funds	1,354,754
Other capital preservation funds	341
Total capital preservation funds	1,355,095
Total Investments	$ 7,049,574

(4) Receivables

The Foundation received an unconditional promise to give in the amount of $1,000,000 in fiscal 2020, of which $500,000 was collected during fiscal 2020. The pledged funds are restricted for investment in a perpetual endowment. The pledge receivable balance consists of $500,000 at June 30, 2020, and is expected to be fully collectible within one year.

(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.

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.

(6) Endowments (continued)

Endowment net asset composition by type of fund as of June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments – held in perpetuity	$ -	$ 3,872,340	$ 3,872,340
Net accumulated deficit on donor restricted endowments subject to spending policies	-	(16,879)	(16,879)
Endowment net assets, total funds	$ -	$ 3,855,461	$ 3,855,461

The changes in endowment net assets as of June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	$ -	$ 3,397,340	$ 3,397,340
Contributions	-	500,000	500,000
Change in donor intent	-	(25,000)	(25,000)
Investment return:			
Investment income	-	121,528	121,528
Realized and unrealized losses	-	(138,407)	(138,407)
Amounts appropriated for expenditure	-	-	-
Endowment net assets, June 30, 2020	$ -	$ 3,855,461	$ 3,855,461

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. 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.

At June 30, 2020, funds with original gift values of $3,872,340, fair values of $3,855,461, and deficiencies of $16,879 were reported as net assets with donor restrictions.

(7) Net assets with donor restrictions

Net assets with donor restrictions are restricted for purposes or periods as follows at June 30, 2020:

Pledge restricted for endowment	$ 500,000
Endowments subject to donor restrictions	3,855,461
Total net assets with donor restrictions	$ 4,355,461

During the year ended June 30, 2020, a change in donor intent resulted in original gift values of $25,000 being released from the total endowment funds restricted in perpetuity in order to be used towards a specific program. The full $25,000 was spent during fiscal year 2020.

(8) 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, 2020:

	Total	Level 1	Level 2	Level 3
Capital appreciation funds:				
Global and international mutual funds	$ 1,842,224	$ 1,842,224	$ -	$ -
Domestic large cap mutual funds	1,055,058	1,055,058	-	-
Other equity mutual funds	1,038,558	1,038,558	-	-
Emerging markets mutual funds	247,644	247,644	-	-
Asset allocation mutual funds	1,510,995	1,510,995	-	-
Total capital appreciation funds	5,694,479	5,694,479	-	-
Capital preservation funds:				
Fixed income bond mutual funds	1,354,754	1,354,754	-	-
Total	$ 7,049,233	$ 7,049,233	$ -	$ -

The following table summarizes the nature and risk of the investments which are reported at NAV as of June 30, 2020 and not included in the fair value table above:

	2020 Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
IMH Class B stock	$ 341	$ -	Quarterly after 6 months	90 Days

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. 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.

(9) Commitments, contingencies, risks and uncertainties

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, 2020 approximately $449,726 was outstanding under these lines of credit.

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. The COVID-19 outbreak is also disrupting supply chains of personal protective equipment and other medical supplies.

In response to the pandemic, the U.S. Government has enacted fiscal and monetary stimulus measures to counteract the disruption caused by the coronavirus. The Foundation continues to assess how they might offset the potential negative impact of the pandemic through the use of the various monetary stimulus measures.

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 donors, employees, volunteers, and vendors, all of which are uncertain and cannot be predicted. Additionally, the outbreak could impact the Foundation’s ability to receive cash and may impact the Foundation’s ability to collect on receivables.

While the pandemic has negatively impacted U.S. and global financial markets and the Foundation’s investments have experienced significant volatility, as of the date the financial statements were available to be issued, the Foundation’s operations have not been negatively impacted. However, the Foundation continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Foundation could experience a material impact to operations, cash flows and financial condition. However, the extent of the impact cannot be reasonably estimated at this time.

(10) Related party transactions

The Foundation reimbursed the Clubs $156,012 for operational activity costs that were conducted by staff of the Clubs during 2020. These expenses are included in the accompanying statement of functional expenses. Accounts payable to the Clubs related to reimbursement of operational activity costs was $92,497 at June 30, 2020.