THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED FINANCIAL STATEMENTS

Year Ended March 31, 2015

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

3101 North Central Avenue, Suite 300
Phoenix, Arizona 85012
602-264-6835 ph
602-265-7631 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

THE ARIZONA COMMUNITY FOUNDATION, INC.
and SUPPORT FOUNDATIONS

We have audited the accompanying combined financial statements of ***The Arizona Community Foundation, Inc. and Support Foundations,*** which comprise the combined statement of financial position as of March 31, 2015, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of ***The Arizona Community Foundation, Inc. and Support Foundations***, as of March 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ***The Arizona Community Foundation, Inc. and Support Foundations'*** 2014 combined financial statements, and our report dated November 5, 2014 expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
November 16, 2015

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED STATEMENT OF FINANCIAL POSITION

March 31, 2015
(with comparative totals at March 31, 2014)

A S S E T S

	2015	2014
CASH AND CASH EQUIVALENTS	$ 9,020,143	$ 7,298,756
RECEIVABLES, net	18,913,988	15,971,264
PREPAID EXPENSES AND OTHER ASSETS	358,090	172,843
INVESTMENTS	632,871,983	594,328,825
SPLIT INTEREST AGREEMENTS		
Charitable remainder trusts	24,032,782	23,745,761
Beneficial interest in charitable remainder trusts	5,076,675	5,212,576
Charitable gift annuities	2,221,229	2,184,586
Charitable lead trusts	2,097,758	2,292,257
Beneficial interest in life estate	220,000	220,000
TOTAL SPLIT INTEREST AGREEMENTS	33,648,444	33,655,180
PROPERTY AND EQUIPMENT, net	5,333,024	5,537,009
TOTAL ASSETS	$ 700,145,672	$ 656,963,877

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

	2015	2014
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 1,430,621	$ 1,557,875
GRANTS PAYABLE	8,665,552	6,486,681
PRESENT VALUE OF ANNUITY PAYMENTS		
Charitable remainder trusts	14,676,289	15,070,285
Charitable gift annuities	1,925,811	2,296,254
TOTAL PRESENT VALUE OF ANNUITY PAYMENTS	16,602,100	17,366,539
DEFERRED RENT	939,431	1,062,559
LINES OF CREDIT	1,400,000	-
AGENCY ENDOWMENT FUNDS	61,693,159	53,133,408
TOTAL LIABILITIES	90,730,863	79,607,062
NET ASSETS		
Unrestricted		
Controlling interest	592,684,642	558,658,877
Noncontrolling interest	740,586	926,959
Total unrestricted	593,425,228	559,585,836
Temporarily restricted	15,989,581	17,770,979
TOTAL NET ASSETS	609,414,809	577,356,815
TOTAL LIABILITIES AND NET ASSETS	$ 700,145,672	$ 656,963,877

See Notes to Combined Financial Statements

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED STATEMENT OF ACTIVITIES

Year Ended March 31, 2015
(with comparative totals for the year ended March 31, 2014)

	Unrestricted	Temporarily Restricted	Totals 2015	Totals 2014
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	$ 64,768,139	$ 13,300	$ 64,781,439	$ 66,030,898
Inherent contribution from acquisition	-	-	-	5,384,960
Interest and dividend income	8,226,978	-	8,226,978	7,637,159
Realized/unrealized investment gains	17,027,682	-	17,027,682	55,510,900
Change in split interest agreements	656,845	516,674	1,173,519	(4,212,165)
Administrative and trustee fee revenues	616,103	-	616,103	465,701
Rental income	710,466	-	710,466	702,157
Other income	711,807	-	711,807	249,377
Total contributions, revenues and other support before net assets released from restrictions	92,718,020	529,974	93,247,994	131,768,987
Net assets released from restrictions	2,311,372	(2,311,372)	-	-
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	95,029,392	(1,781,398)	93,247,994	131,768,987
EXPENSES				
Program expenses:				
Grants	43,104,816	-	43,104,816	39,221,738
Other program expenses	9,186,986	-	9,186,986	9,143,107
Total program expenses	52,291,802	-	52,291,802	48,364,845
Management and general	6,162,201	-	6,162,201	5,835,701
Fundraising	2,735,997	-	2,735,997	2,465,603
TOTAL EXPENSES	61,190,000	-	61,190,000	56,666,149
CHANGE IN NET ASSETS	33,839,392	(1,781,398)	32,057,994	75,102,838
NET ASSETS, BEGINNING OF YEAR	559,585,836	17,770,979	577,356,815	502,253,977
NET ASSETS, END OF YEAR	$ 593,425,228	$ 15,989,581	$ 609,414,809	$ 577,356,815

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED STATEMENT OF CASH FLOWS

Year Ended March 31, 2015
(with comparative totals for the year ended March 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 32,057,994	$ 75,102,838
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Inherent contribution of note receivable	-	(3,714,924)
Inherent contribution of securities	-	(1,670,036)
Realized/unrealized investment gains	(17,027,682)	(55,510,900)
Change in split interest agreements and present value of annuity payments, net	(757,703)	(2,840,011)
Change in discount on notes receivable	(20,313)	(3,745)
Change in discount on grants payable	24,035	(111,106)
Depreciation and amortization	277,674	270,232
Loss on disposal of property and equipment	9,411	3,995
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(4,369,015)	(970,205)
Prepaid expenses and other assets	(185,247)	294,124
Increase (decrease) in:		
Accounts payable and accrued expenses	(127,254)	85,557
Grants payable	2,154,836	1,787,644
Deferred rent	(123,128)	(51,382)
Agency endowment funds	6,190,731	13,364,247
Net cash provided by operating activities	18,104,339	26,036,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	145,142,942	147,755,356
Collections on notes receivable	2,846,604	232,642
Purchases of investments	(164,289,398)	(169,148,285)
Issuance of notes receivable	(1,400,000)	(245,850)
Purchases of property and equipment	(83,100)	(244,064)
Net cash used in investing activities	(17,782,952)	(21,650,201)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	1,400,000	-
Net cash provided by financing activities	1,400,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,721,387	4,386,127
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,298,756	2,912,629
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,020,143	$ 7,298,756
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Realized/unrealized gains on agency fund investments	$ 2,369,020	$ 5,432,293

See Notes to Combined Financial Statements

(1) Foundations' operations and summary of significant accounting policies

Nature of operations – ***The Arizona Community Foundation, Inc.*** (the "Foundation") is incorporated in Arizona as a tax-exempt, nonprofit, publicly supported, nonsectarian philanthropic institution with a long-term goal of building permanent, named component funds established by many separate donors for the primary charitable benefit of the residents of Arizona.

The ***Support Foundations*** ("Support Foundations") are separate Arizona tax-exempt public organizations. They operate exclusively to receive and administer funds for charitable, benevolent, scientific and educational purposes. The Support Foundations consist of the following entities:

- AFC Public Foundation
- Armstrong Family Foundation
- Ellis Center for Educational Excellence
- Evans Charitable Foundation
- First Baptist Church of Phoenix Foundation
- Sam & Peggy Grossman Family Foundation
- R. S. Hoyt Jr. Family Foundation
- Ingebritson Family Foundation
- Molly Lawson Foundation
- Lippincott Family Foundation
- Lodestar Charitable Foundation
- Richard A. Odom Family Foundation
- Odom Family Foundation
- Pakis Family Foundation
- Edward J. Robson Family Foundation
- Rodel Charitable Foundation – AZ
- Silverman Family Foundation
- Jim Troxell Foundation
- James A. Unruh Family Foundation
- WAZE Foundation
- Wellik Foundation and Subsidiary
- Robert J. Wick Family Foundation
- Walter M. Wick Family Foundation
- Youth Partners Foundation

During 2014, B and L Charitable Foundation acquired the assets of another nonprofit organization and concurrently changed its legal name to First Baptist Church of Phoenix Foundation. No consideration was paid in exchange for the assets, which included a note receivable from a third party valued at $3,714,924 and securities valued at $1,670,036 as of the date of the acquisition. These amounts are included as an inherent contribution in the accompanying combined statement of activities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-805, *Not-for-Profit Entities – Business Combinations*.

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

(1) Foundations' operations and summary of significant accounting policies (continued)

The Financial Accounting Standards Board sets accounting principles generally accepted in the United States of America ("GAAP") to ensure consistent reporting. References to GAAP are to the *FASB Accounting Standards Codification*.

Combined financial statements – The Foundation has an economic interest in and control over the Support Foundations. The combined financial statements include the accounts of the Foundation and the Support Foundations (collectively referred to as the "Foundation"). All of the financial activities and balances of these organizations are included in the combined financial statements. All significant inter-organization accounts and transactions have been eliminated in combination.

During the year ended March 31, 2008, the Wellik Foundation received 100% of the voting stock of a C-corporation which operates a dude ranch in the state of Arizona. Under FASB ASC 958-810-3, *Not-for-Profit Entities – Consolidations*, consolidation is required. The accounts of this operation have been consolidated with the Wellik Foundation and are included in the combined financial statements. All significant inter-organization accounts and transactions have been eliminated. The corporation has issued two classes of stock: Class A which has voting rights and Class B which has limited rights for a period of twenty years at which time the shares have the same rights as Class A. The Class B stock is owned by an unrelated party. As a result, the unrelated party's ownership of the Class B stock is disclosed as a noncontrolling interest in the combined financial statements.

The reconciliation of the change in controlling and noncontrolling net assets is as follows:

	Controlling Interest		Noncontrolling	
	Unrestricted	Temporarily Restricted	Unrestricted Interest	Totals
March 31, 2014	$ 558,658,877	$ 17,770,979	$ 926,959	$ 577,356,815
Change in net assets	34,025,765	(1,781,398)	(186,373)	32,057,994
March 31, 2015	$ 592,684,642	$ 15,989,581	$ 740,586	$ 609,414,809

Basis of presentation – The accompanying combined financial statements are presented in accordance with FASB 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 combined financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation had no permanently restricted net assets at March 31, 2015 and 2014.

Prior year summarized information – The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's combined financial statements for the year ended March 31, 2014 from which the summarized information was derived.

(1) Foundations' operations and summary of significant accounting policies (continued)

Management's use of estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined 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 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 purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Donated assets – Assets and other non-cash items donated to the Foundation are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding the timing or purpose of their use and contributions of cash that must be used to acquire long lived assets are reported as restricted contributions. The Foundation records donations of property and equipment that are not restricted as to their use by the donor as unrestricted contributions and increases in unrestricted net assets.

Cash and cash equivalents – For purposes of reporting cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Investments carried at market value include certain liquid accounts which are generally not used in operations. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Promises to give – Unconditional promises to give 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 donors, 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 the discounts is included in contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(1) Foundations' operations and summary of significant accounting policies (continued)

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.

Investments – The Foundation accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities* and FASB ASC 958-325, *Not-for-Profit Entities – Investments – Other*. Under 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. The fair value is based on quoted market prices. Under FASB ASC 958-325, partnership interests, stocks in closely held companies and real estate held for investment are recorded at fair value at the dates the investments were donated and are periodically revalued through the use of a third party appraiser or other appropriate valuation methods, including the market and income approaches. Changes in value are shown as unrealized gains or losses on the combined statement of activities. Alternative investments are reported at fair value using net asset value as the practical expedient for fair value. Investments in life insurance policies are reported at the cash surrender value.

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 combined financial statements.

Property and equipment – Purchased property and equipment are valued at cost and donated property and equipment are recorded at fair value at the date of gift to the Foundation. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment additions in excess of $1,000 are capitalized. Depreciation and amortization of property and equipment are computed on a straight-line basis over estimated useful lives of 5 to 7 years.

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 2015 and 2014.

Deferred rent – The Foundation accounts for its leases in accordance with FASB ASC 840, *Leases*. Certain operating leases contain escalation, abatement and tenant improvement allowance provisions. Under FASB ASC 840, the Foundation is required to amortize the total lease commitment on a straight-line basis over the life of the lease. The cumulative difference between rent paid and rent charged to expense is recorded as deferred rent on the combined statement of financial position. The cumulative difference between rent paid and rent charged to expense was $939,431 and $1,062,559 at March 31, 2015 and 2014, respectively.

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was $47,522 for 2015 and $48,859 for 2014.

(1) Foundations' operations and summary of significant accounting policies (continued)

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity and other appropriate allocation methods. The expense category, management and general, includes those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Foundation. Fundraising expenses include those expenses related to the overall solicitation of contributions to the Foundation.

Income tax status – The Foundation and the Support Foundations qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes for these organizations. In addition, they qualify for the charitable contribution deduction under Section 170 of the Code and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income ("UBTI") would be taxable. The subsidiary of the Wellik Foundation is a for-profit company and files its own income tax return. Investment tax credits and operating loss carryforward benefits are recognized in the year the credits or benefits are realized. The results of operations of the subsidiary for financial reporting purposes were not significant and accordingly, no provision for income or deferred income tax assets or liabilities has been included in the accompanying combined financial statements.

The Foundation and Support Foundations evaluate their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filings, and discussions with outside experts. At March 31, 2015 and 2014, management believes the Foundation and Support Foundations did not have any uncertain tax positions.

The Foundation's and Support Foundation's federal Returns of Organizations Exempt From Income Tax (Form 990) for 2012, 2013, and 2014 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the 2015 returns had not yet 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 by requiring 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.

(1) Foundations' operations and summary of significant accounting policies (continued)

Recent accounting pronouncements – 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 June 15, 2014. The Foundation is evaluating the impact of adopting ASU 2013-06, but currently believes there will be no significant impact on their combined financial statements.

In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09"), *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 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. Additionally, ASU 2014-09 will require an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For nonpublic entities, the ASU will be effective for annual reporting periods beginning after December 15, 2017 and interim periods with annual periods beginning after December 15, 2018. Nonpublic entities may elect to early adopt the ASU, however adoption is not permitted prior to the public entity effective date. The Foundation is evaluating the impact of adopting ASU 2014-09, but currently believes there will be no significant impact on their combined financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which amends FASB Topic 820 to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. The Foundation has elected to early adopt this standard as of March 31, 2014, which is the earliest period presented within these financial statements. Accordingly, the fair value hierarchy disclosure within Note 12 has been retroactively revised to remove investments reported at NAV as of March 31, 2014.

Subsequent events – Subsequent to year end the Burton Family Foundation was created as a new supporting organization and operates under the Foundation as a separate Arizona tax-exempt organization. Subsequent to year end, the Foundation received a significant contribution to a fund for approximately $60 million. The Foundation has evaluated subsequent events through November 16, 2015 which is the date the combined financial statements were available to be issued.

(2) Receivables

Receivables consist of:	2015	2014
Notes receivable:		
Note receivable from an entity controlled by a Board member of a support foundation, secured by a deed of trust, with interest only payments receivable annually at libor plus 2.0% (4.25% at March 31, 2015); the note is due in December 2021.	$ 4,141,401	$ 5,095,714
Note receivable, secured by a deed of trust, receivable in monthly installments of $15,000 including interest at 2%; and a balloon payment of principal due in December 2015.	3,530,105	3,661,852
Note receivable, secured by deed of trust, receivable in monthly interest only payments at 4%; and a balloon payment of principal due in July 2019.	1,825,957	1,825,957
Note receivable, secured by pledge agreements, with interest only payments receivable annually at 7%; and a balloon payment of principal due in March 2015. The balance of the note was collected in full during fiscal 2015.	-	995,000
Note receivable, secured by a deed of trust on real property, receivable in monthly installments of $3,097 including interest at 6%; the note matured in November 2012. The borrower was in default and subsequent to March 31, 2014 the Foundation received a deed in lieu of foreclosure for the underlying collateral.	-	510,235
Note receivable, secured by a deed of trust, receivable in monthly installments of $1,745 including interest at 3.50%; the note is due in December 2040.	358,048	366,472
Note receivable, unsecured, and receivable in annual amounts of $75,000, including quarterly interest payments at 3.50%; the note is due in June 2018.	275,000	350,000
Note receivable, secured by a deed of trust, receivable in monthly installments of $1,163 including interest at 3.50%; the note is due in November 2040.	236,139	241,722
Note receivable, secured by a deed of trust, receivable in annual installments of $50,000, no interest charged; the note is due in July 2015.	50,000	50,000

(2) Receivables (continued)

	2015	2014
Note receivable, unsecured, receivable in monthly installments of $4,322 including interest at 3%; the note is due in October 2016.	81,111	126,061
Note receivable from a Board member of a support foundation, secured by a stock purchase agreement, receivable in annual installments of $17,888 plus interest at 5.5%; the note is due in March 2015. The balance of the note was collected in full during fiscal 2015.	-	23,245
Note receivable from a Board member of a support foundation, secured by a stock purchase agreement, receivable in annual installments of $17,888 plus interest at 5.5%; the note is due in March 2015. The balance of the note was collected in full during fiscal 2015.	-	23,245
Note receivable, secured by equipment, receivable in monthly installments of $6,500 including interest at 2.5%; the note is due in December 2021.	483,515	-
Note receivable, secured by property, receivable in monthly installments of $6,834.40 including interest at 4%; the note is due in April 2021.	441,623	-
Note receivable, unsecured, interest only payments until February 2016 and then monthly payments of $9,121 are due including interest at at 4.5%; the note is due in January 2020.	400,000	-
Total notes receivable	11,822,899	13,269,503
Allowance for doubtful notes receivable	-	(260,235)
Discount on notes receivable	(71,789)	(92,102)
Notes receivable, net	11,751,110	12,917,166
Pledges receivable	1,164,467	1,371,307
Bequests receivable	5,998,411	1,550,000
Other receivables	-	132,791
Total receivables	$ 18,913,988	$ 15,971,264

(2) Receivables (continued)

Scheduled collections on notes receivable at March 31, 2015 are as follows:

Years Ending March 31,		
2016	$	4,682,558
2017		853,326
2018		827,357
2019		807,443
2020		2,980,438
Thereafter		1,671,777
Total annual collections	$	11,822,899

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal outstanding. Included in interest and dividend income is interest income earned on related party notes receivable of $190,290 for 2015 and $219,125 for 2014.

For notes receivable which are secured by underlying collateral, the Foundation follows FASB ASC 310-10, *Receivables*, which requires the Foundation to measure impairment of the note receivable based on the fair value of the underlying collateral.

Pledges receivable consist of unconditional promises to give at March 31 as follows:

		2015		2014
Unconditional promises to give due in less than one year	$	279,634	$	89,983
Unconditional promises to give due in two to five years		884,833		841,324
Unconditional promises to give due in greater than five years		-		440,000
Total unconditional promises to give	$	1,164,467	$	1,371,307

Pledges are normally discounted at an appropriate discount rate. A discount was not considered significant for financial reporting and no provision was made in the accompanying combined financial statements.

Receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for uncollectible accounts 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 allowance for uncollectible accounts and a credit to receivables. The Foundation recorded an allowance for doubtful notes receivable of $260,235 at March 31, 2014. The Foundation considered receivables to be fully collectible at March 31, 2015.

(3) Investments

Investments consist of the following at March 31, 2015 and 2014:

	2015	2014
Equities and equity mutual funds	$ 362,188,953	$ 351,420,083
Fixed income and fixed income funds	97,785,302	87,036,706
Alternative investments	109,512,811	101,946,660
Cash and cash equivalents – interest bearing	37,486,821	26,064,226
Real estate held for investment	21,542,000	22,844,900
Partnership interests	3,977,823	4,429,744
Stock in closely held companies	60,000	321,998
Life insurance and other investments	318,273	264,508
Total investments	$ 632,871,983	$ 594,328,825

Expenses relating to investment revenues, including custodial fees and investment advisory fees of $1,344,846 for 2015 and $1,102,721 for 2014, were charged to operations and are included in management and general expense in the accompanying combined statement of activities.

Included in investments are assets held on behalf of others. The Foundation has recorded a liability in the amount of approximately $62 million at March 31, 2015 and $53 million at March 31, 2014 for the investments held on behalf of others.

(4) Split interest agreements

The Foundation is the beneficiary of irrevocable charitable remainder trusts in which the Foundation also serves as trustee. The charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded as a temporarily restricted contribution in the period the trust is established. Investments held in the charitable remainder trusts are reported at fair value. On an annual basis, the Foundation recalculates the liability to adjust distributions to the designated beneficiaries based on actuarial assumptions. Adjustments to reflect the valuation of the present value of the estimated annuity payments and changes in actuarial assumptions are recognized in the combined statement of activities as a change in split interest agreements. The present value of the estimated annuity payments for the charitable remainder trusts ($14,676,289 at March 31, 2015 and $15,070,285 at March 31, 2014) is calculated using discount rates of 6% for the years ended March 31, 2015 and 2014 and the applicable Internal Revenue Service mortality tables.

(4) Split interest agreements (continued)

The Foundation has a beneficial interest in irrevocable charitable remainder trusts in which the Foundation is not the trustee. Under these agreements, the donor has established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trust terms. Upon termination of the trust, the Foundation receives the assets remaining in the trust. Beneficial interests in charitable remainder trusts are recorded at the fair value of the future distributions expected to be received over the term of the agreement which is estimated using a present value discount method. The present value of the estimated future payments for the charitable remainder trusts is calculated using discount rates of 6% for the years ended March 31, 2015 and 2014 and the applicable Internal Revenue Service mortality tables.

The Foundation currently administers charitable gift annuities that provide an annual income payment to the beneficiaries until the income obligation is completed in accordance with the donor's trust agreement. The assets contributed under the charitable gift annuities are carried at fair value. The gift annuities totaling $2,221,229 at March 31, 2015 and $2,184,586 at March 31, 2014, are included in split interest agreements. Contribution revenues are recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate determined at the time the annuities are established, and actuarial tables and guidelines used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the charitable gift annuities is $1,925,811 at March 31, 2015 and $2,296,254 at March 31, 2014.

The Foundation is the beneficiary of several charitable lead trusts. Under the terms of the trust agreements, the Foundation is to receive either a fixed payment or a percentage of the fair value of the trusts' investments annually over the specified terms in the trust agreements. Upon the termination of the trust agreement, the remaining trust assets are distributed to others. The charitable lead trusts are carried at fair value. Based on the terms of the trusts and the use of a discount rate of 6% for the years ended March 31, 2015 and 2014, the present values of future benefits expected to be received by the Foundation were estimated to be $2,097,758 at March 31, 2015 and $2,292,257 at March 31, 2014.

The Foundation is the irrevocable beneficiary of a life estate trust on a parcel of real property, which was received during 2009. Under the terms of the trust agreement, the Foundation will take possession of the property upon the death of the life tenants. The beneficial interest is carried at fair value, which is estimated to be $220,000 at March 31, 2015 and 2014.

(4) Split interest agreements (continued)

Investments in split interest agreements consist of the following for the years ended March 31, 2015 and 2014:

	2015	2014
Equities and equity mutual funds	$ 18,933,441	$ 17,867,412
Fixed income and fixed income funds	5,536,443	6,027,156
Alternative investments	676,136	634,168
Cash and cash equivalents – interest bearing	1,107,991	1,401,611
Charitable lead trusts	2,097,758	2,292,257
Beneficial interest in charitable remainder trusts	5,076,675	5,212,576
Beneficial interest in life estate	220,000	220,000
Total investments	$ 33,648,444	$ 33,655,180

(5) Property and equipment

Property and equipment consists of:

	2015	2014
Cost:		
Land and building improvements	$ 4,152,162	$ 4,152,162
Furniture, fixtures and equipment	1,618,017	1,577,565
Leasehold improvements	791,354	796,301
Art objects	29,257	29,257
Total cost	6,590,790	6,555,285
Accumulated depreciation and amortization	(1,257,766)	(1,018,276)
Net property and equipment	$ 5,333,024	$ 5,537,009

Depreciation and amortization expense charged to operations was $277,674 for 2015 and $270,232 for 2014.

(6) Grants payable

Grants authorized, but unpaid are reported as liabilities in accordance with FASB ASC 958-720, *Not-for-Profit Entities – Other Expenses - Contributions Made*. Grants to be paid in more than one year are discounted using discount rates ranging from .26% to 1.71%. The following is a summary of grants authorized and payable at March 31:

	2015	2014
Grants payable to be paid in less than one year	$ 2,832,326	$ 1,231,547
Grants payable to be paid in one to five years	5,929,081	5,375,024
Gross grants authorized but unpaid	8,761,407	6,606,571
Less: discount on long-term grants	(95,855)	(119,890)
Net grants authorized but unpaid	$ 8,665,552	$ 6,486,681

(7) Agency endowment funds

FASB ASC 958-605 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for-profit organization (NPO) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowment funds.

The Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as cash and investments of the Foundation. However, in accordance with FASB ASC 958-605, a liability has been established equivalent to the value of the assets. Both the liability and the assets are measured at fair value.

The activity for the agency endowment funds is summarized as follows:

	2015	2014
Agency endowment funds, beginning of year	$ 53,133,408	$ 34,336,868
Contributions	8,274,601	15,095,020
Investment income	611,371	536,277
Realized and unrealized investment gains	2,369,020	5,432,293
Withdrawal of funds	(110,676)	(478,617)
Grants	(2,062,392)	(1,386,471)
Administration and investment fees	(522,173)	(401,962)
Agency endowment funds, end of year	$ 61,693,159	$ 53,133,408

(8) Temporarily restricted net assets

Temporarily restricted net assets consist of pledges receivable, life estate trusts, charitable lead trusts, charitable remainder trusts (net of present value of annuity payments related to charitable remainder trusts) and beneficial interest in charitable remainder trusts due to timing of when the pledge will be collected and when the beneficial interest in the trusts will be received by the Foundation. Releases from restriction consist entirely of releases due to the passage of timing restrictions.

(9) Endowments

The Foundation's endowments consist of 1,126 component funds established by donors for a variety of purposes. The bylaws of the Foundation include variance language giving the Board of Directors the power, whenever any restriction or condition on the distribution of funds becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable purpose of the Foundation, to modify any restriction or condition placed on the distribution of funds and to apply the whole or any part of the principal or income of funds as in its judgment is necessary to serve more effectively the charitable purpose of the Foundation. Based on this provision, all contributions and assets not classified as temporarily restricted due to timing restrictions are classified as unrestricted. Though these funds are classified as unrestricted, the Foundation manages the funds established by donors as endowed funds in accordance with the terms set forth in the individual fund agreements by designation of the Board of Directors. As required by accounting principles generally accepted in the United States, 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.

(9) Endowments (continued)

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. At March 31, 2015, the Foundation has no donor-restricted endowment funds, other than those reported as temporarily restricted until the expiration of time restrictions, as the Board has determined that the Foundation's endowments do not meet the definition of donor-restricted endowments under MCFA.

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowments while maintaining the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

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 alternative asset (private equity, hedge funds, etc.) strategies. The majority of assets are invested in equity or equity-like securities. Fixed income and alternative assets are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue concentration risk and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than 6% plus inflation over long periods of time.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes donor advised, agency, designated, scholarship, field of interest and unrestricted funds. The current spending policy is to distribute an amount equal to approximately 5% of the previous twelve quarter average balance of each funds' liquid assets. Based on the spending policy, 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 endowment net assets composition by type of fund as of March 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 9,579,823	$ -	$ 9,579,823
Board-designated endowment funds	587,987,007	-	-	587,987,007
Total funds	$ 587,987,007	$ 9,579,823	$ -	$ 597,566,830

(9) Endowments (continued)

The change in endowment net assets for the year ended March 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, April 1, 2014	$ 557,679,792	$ 8,905,623	$ -	$ 566,585,415
Contributions	66,527,584	2,113	-	66,529,697
Investment return:				
Investment income, net	6,969,195	-	-	6,969,195
Realized and unrealized gains	17,986,072	-	-	17,986,072
Change in value of charitable remainder trusts	145,334	1,028,187	-	1,173,521
Appropriation of endowment assets for expenditure	(61,320,970)	(356,100)	-	(61,677,070)
Endowment net assets, March 31, 2015	$ 587,987,007	$ 9,579,823	$ -	$ 597,566,830

The endowment net assets composition by type of fund as of March 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 8,905,623	$ -	$ 8,905,623
Board-designated endowment funds	557,679,792	-	-	557,679,792
Total funds	$ 557,679,792	$ 8,905,623	$ -	$ 566,585,415

The change in endowment net assets for the year ended March 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, April 1, 2013	$ 485,714,556	$ 5,767,283	$ -	$ 491,481,839
Contributions	61,245,067	8,094,894	-	69,339,961
Investment return:				
Investment income, net	6,482,255	-	-	6,482,255
Realized and unrealized gains	55,224,446	-	-	55,224,447
Change in value of charitable remainder trusts	(77,488)	(4,028,362)	-	(4,105,850)
Appropriation of endowment assets for expenditure	(50,909,044)	(928,192)	-	(51,837,237)
Endowment net assets, March 31, 2014	$ 557,679,792	$ 8,905,623	$ -	$ 566,585,415

(10) Fundraising expenses

Fundraising expenses consist of development costs and an allocation of indirect expenses for fundraising events as follows:

	2015	2014
Salaries and wages	$ 1,451,382	$ 1,276,435
Employee benefits	225,970	209,047
Payroll taxes	84,691	74,914
Marketing	136,079	83,812
Travel	47,676	48,070
Events	479,264	421,948
Other	310,935	351,377
Total fundraising expenses	$ 2,735,997	$ 2,465,603

(11) Retirement plans

Arizona Community Foundation ("ACF") sponsors a 403(b) retirement plan, which covers substantially all employees after specified periods of service and certain eligibility requirements have been met. In 2012, ACF contributed between 3% and 12% of the eligible employees' annual compensation depending on length of employment. In 2013, the plan was amended to change the employer contribution percentage to 0% for the employee's first year, and 6% contribution for all subsequent years. ACF made contributions to the plan of $281,452 for 2015 and $259,878 for 2014.

The Lodestar Foundation ("Lodestar") sponsors a profit sharing plan and trust, which covers substantially all its employees, after specified periods of service and certain eligibility requirements have been met. The amount contributed annually is determined by Lodestar. Lodestar made contributions of $13,500 for 2015 and $19,500 for 2014.

The Ellis Center for Educational Excellence ("Ellis") sponsors a 403(b) retirement plan, which covers its employee, after a specified period of service and certain eligibility requirements have been met. As of March 31, 2015, the Ellis Center has no employees and has made no contributions in 2015 and 2014.

The Rodel Charitable Foundation – AZ ("Rodel") sponsors a 401(k) retirement plan, which covers substantially all its employees who meet specified age and service requirements. An employee may contribute funds to the plan up to IRS limits and Rodel matches 100% of the employee's contributions up to 15% of the employee's compensation. Rodel's matching contributions to the plan were $131,785 for 2015 and $150,084 for 2014. The plan also includes a provision for Rodel to make discretionary contributions to the plan. There were no discretionary contributions made during 2015 and 2014.

(12) Fair value measurements

The following table summarizes the valuation of the Foundation's assets and liabilities subject to measurements at fair value by the above FASB ASC 820 categories as of March 31, 2015:

	Level 1	Level 2	Level 3	Total
Equities and equity mutual funds:				
Large cap funds	$ 115,174,021	$ -	$ -	$ 115,174,021
Small/mid cap funds	36,976,610	-	-	36,976,610
International funds	82,783,640	-	-	82,783,640
Other equity funds	26,725,605	-	-	26,725,605
Financial services	23,100,553	-	-	23,100,553
Industrial	17,898,415	-	-	17,898,415
Information technology	15,310,292	-	-	15,310,292
Health care	12,861,327	-	-	12,861,327
Other equities	50,291,931	-	-	50,291,931
Fixed income and fixed income funds:				
Int. term bond funds	41,972,946	-	-	41,972,946
Other fixed income funds	22,628,755	-	-	22,628,755
Corporate bonds	-	29,249,713	-	29,249,713
U.S. treasuries and agency securities	-	6,241,372		6,241,372
Other debt securities and bonds	-	3,228,958	-	3,228,958
Alternative investments:				
Equity long-short	-	-	-	-
Private equity fund of funds	-	-	-	-
Other alternative investments	-	-	-	-
Life insurance and other investments	318,273	-	-	318,273
Real estate held for investment	-	-	21,542,000	21,542,000
Partnerships interests	-	-	3,977,823	3,977,823
Stock in closely held companies	-	-	60,000	60,000
Charitable lead trusts, beneficial interest in charitable remainder trusts and beneficial interest in life estate	-	-	7,394,434	7,394,434
Agency endowment funds liability	-	(61,693,159)	-	(61,693,159)
Total	$ 446,042,368	$ (22,973,116)	$ 32,974,257	$ 456,043,509

(12) Fair value measurements (continued)

The following table summarizes the valuation of the Foundation's assets and liabilities subject to measurements at fair value by the above FASB ASC 820 categories as of March 31, 2014:

	Level 1	Level 2	Level 3	Total
Equities and equity mutual funds:				
Large cap funds	$ 112,245,925	$ -	$ -	$ 112,245,925
Small/mid cap funds	34,416,648	-	-	34,416,648
International funds	80,580,667	-	-	80,580,667
Other equity funds	25,364,174	-	-	25,364,174
Financial services	20,663,610	-	-	20,663,610
Industrial	15,053,301	-	-	15,053,301
Information technology	13,707,029	-	-	13,707,029
Health Care	10,768,237	-	-	10,768,237
Other equities	56,487,904	-	-	56,487,904
Fixed income and fixed income funds:				
Int. term bond funds	45,402,724	-	-	45,402,724
Other fixed income funds	12,624,434	-	-	12,624,434
Corporate bonds	-	22,403,260	-	22,403,260
U.S. treasuries and agency securities	-	10,008,450	-	10,008,450
Other debt securities and bonds	-	2,624,994	-	2,624,994
Alternative investments:				
Equity long-short	-	-	-	-
Private equity fund of funds	-	-	-	-
Other alternative investments	-	-	-	-
Life insurance and other investments	264,508	-	-	264,508
Real estate held for investment	-	-	22,844,900	22,844,900
Partnerships interests	-	-	4,429,744	4,429,744
Stock in closely held companies	-	-	321,998	321,998
Charitable lead trusts, beneficial interest in charitable remainder trusts and beneficial interest in life estate	-	-	7,724,833	7,724,833
Agency endowment funds liability	-	(53,133,408)	-	(53,133,408)
Total	$ 427,579,161	$ (18,096,704)	$ 35,321,475	$ 444,803,932

(12) Fair value measurements (continued)

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended March 31, 2015:

	Real estate held for investment	Partnership Interests and stock in closely held companies	Charitable lead trusts, beneficial interest in trusts	Total
Balance at April 1, 2014	$ 22,844,900	$ 4,751,742	$ 7,724,833	$ 35,321,475
Change in value of split-interest agreements	-	-	(330,399)	(330,399)
Purchases and contributions	250,000	143,123	-	393,123
Sales	(250,000)	(261,998)	-	(511,998)
Reclassification to other alternative investments	-	-	-	-
Investment income	-	-	-	-
Realized and unrealized gains (losses)	(1,302,900)	(595,044)	-	(1,897,944)
Balance at March 31, 2015	$ 21,542,000	$ 4,037,823	$ 7,394,434	$ 32,974,257

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended March 31, 2014:

	Real estate held for investment	and stock in closely held companies	beneficial interest in trusts	Total
Balance at April 1, 2013	$ 21,639,900	$ 6,018,833	$ 7,963,127	$ 35,621,860
Change in value of split-interest agreements	-	-	(238,294)	(238,294)
Purchases and contributions	250,000	53,536	-	303,536
Sales	-	(284,672)	-	(284,672)
Reclassification to other alternative investments	-	(1,075,173)	-	(1,075,173)
Investment income	-	-	-	-
Realized and unrealized gains (losses)	955,000	39,218	-	994,218
Balance at March 31, 2014	$ 22,844,900	$ 4,751,742	$ 7,724,833	$ 35,321,475

(12) Fair value measurements (continued)

The Foundation currently has no other financial instruments subject to fair value measurement other than at initial recognition. The Foundation estimates that the fair value of cash, receivables, bequest receivables, accounts payable and accrued expenses at March 31, 2015 and 2014 does not materially differ from the aggregate carrying values of its financial instruments recorded in the accompanying combined statement of financial position due to the short maturities of those instruments. The fair value of promises to give, grants payable, notes receivable and lines of credit, which approximate the carrying value, is estimated by discounting the future cash flows using current rates at which similar instruments would be made with similar credit ratings and for similar maturities. The fair value of the present value of annuity payments is discounted using the payout rates of each trust, based on the life expectancy of the annuitants as actuarially determined, and approximates fair value.

In accordance with FASB ASC 820, the Foundation is required to disclose the nature and risks of the investments reported at NAV.

The following table summarizes the nature and risk of these investments as of March 31, 2015.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Long/Short Hedge Funds	$ 38,993,476	$ -	quarterly	30 day notice
Private Equity Fund of Funds	36,220,403	24,345,098	n/a	n/a
Private Equity Fund of Funds-International	3,240,535	263,004	quarterly	60 day notice
Other Alternative Investment Funds	8,950,509	1,200,000	n/a	n/a
Multi-strategy Funds	22,784,024	-	annual	30 to 60 day notice
Total	$ 110,188,947	$ 25,808,102		

The following table summarizes the nature and risk of these investments as of March 31, 2014.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Long/Short Hedge Funds	$ 36,106,368	$ -	quarterly	30 day notice
Private Equity Fund of Funds	34,073,652	26,830,000	n/a	n/a
Private Equity Fund of Funds-International	3,416,679	277,483	quarterly	60 day notice
Other Alternative Investment Funds	5,557,112	3,320,000	n/a	n/a
Multi-strategy Funds	23,427,017	-	annual	30 to 60 day notice
Total	$ 102,580,828	$ 30,427,483		

(12) Fair value measurements (continued)

Equity Long/Short Hedge Funds – This category includes investments in direct hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to short investments across the capitalization range. Positions can range from net long to net short.

Private Equity Funds – **International** – This category includes investments in a private equity fund-of-funds and a direct private equity fund. Both funds seek to invest across the spectrum of distressed securities ranging from short-term passive trading strategies to active control. Investments will include public and private securities globally. While the manager will make distributions over the life of the Fund as exit opportunities arise, redemptions are not permitted.

Private Equity Fund of Funds – This category is a private equity fund of funds that makes investments in private equity assets obtained on the secondary market. The manager has the authority to invest in Funds with the following strategy focuses: leveraged buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. While the manager will make distributions over the life of the Fund as exit opportunities arise, redemptions are not permitted.

Multi-strategy Equity Funds – The multi-strategy equity funds are broadly diversified to include debt, buyout, and real estate. Multiple funds are utilized to ensure proper vintage year diversification.

Other Alternative Investment Funds – Other alternative investment funds consists primarily of private equity real estate funds and other private equity investments.

(13) Leases

The Foundation leases office equipment and office space under operating lease agreements with terms expiring in various years through 2022. In July 2011, the Foundation entered into a new office lease that commenced in August 2011. The lease has a term of 126 months with monthly lease payments ranging from $0 to $35,873. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year are as follows:

Years Ending March 31,	
2016	$ 780,239
2017	714,881
2018	479,263
2019	463,673
2020	461,739
Thereafter	809,723
Total minimum future rental payments	$ 3,709,518

The operating leases do not provide for renewal options. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Total rental expense was $688,941 for 2015 and $709,166 for 2014.

(14) Lines of credit

Effective November 2013, the Foundation renewed an unsecured line of credit agreement with a financial institution with a maximum borrowing limit of $2,000,000. The line of credit matured on November 1, 2014, at which time any unpaid interest and principal was due. The line of credit was not renewed. Interest was charged at LIBOR plus 2.150%, with a minimum rate of 3%. No amounts were outstanding under the line of credit as of March 31, 2014.

Effective May 2013, the Foundation entered into an unsecured line of credit agreement with a California nonprofit public benefit corporation. The line of credit agreement has a maximum borrowing limit of $5,000,000. The line of credit matures on May 1, 2018, at which time any unpaid interest and principal is due. Interest is charged at 2.5% and is payable quarterly. The balance outstanding under the line of credit is $900,000 as of March 31, 2015. No amounts were outstanding under the line of credit as of March 31, 2014. Proceeds from the line of credit are expressly restricted to provide financing loans to nonprofit community based organizations in Arizona.

Effective December 2013, the Foundation entered into an unsecured line of credit agreement with an Arizona nonprofit public benefit corporation. The line of credit agreement has a maximum borrowing limit of $3,000,000. The line of credit has a stated maturity date of December 1, 2018, at which time any unpaid interest and principal is due. Interest is charged at 0.5% and is payable quarterly. However, the line of credit may be terminated by the lender at any time for any reason. If the Foundation has used the loan proceeds to fund programmatic loans, the lender may not terminate the line of credit prior to the earlier of the stated maturity date of the line of credit or the maturity date of the programmatic loans issued by the Foundation using the line of credit process. As of March 31, 2015, the Foundation used the line of credit proceeds to fund programmatic loans with maturities starting in fiscal 2020. The balance outstanding under the line of credit is $500,000 as of March 31, 2015. No amounts were outstanding under the line of credit as of March 31, 2014.

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Mayer Hoffman McCann P.C.
An Independent CPA Firm

3101 North Central Avenue, Suite 300
Phoenix, Arizona 85012
602-264-6835 ph
602-265-7631 fx
www.mhm-pc.com

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

We have audited the combined financial statements of ***Arizona Community Foundation, Inc. and Support Foundations*** as of and for the year ended March 31, 2015, and our report thereon dated November 16, 2015 which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position and activities that follow on pages 29 and 30 are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations and cash flows of the individual organizations, and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
November 16, 2015

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

ADDITIONAL INFORMATION

March 31, 2015

COMBINING SCHEDULE OF FINANCIAL POSITION

A S S E T S

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
CASH AND CASH EQUIVALENTS	$ 8,331,174	$ 688,969	$ -	$ 9,020,143
RECEIVABLES, net	11,242,064	7,682,424	(10,500)	18,913,988
PREPAID EXPENSES AND OTHER ASSETS	218,965	139,125	-	358,090
INVESTMENTS	474,626,335	158,245,648	-	632,871,983
SPLIT INTEREST AGREEMENTS	33,648,444	-	-	33,648,444
PROPERTY AND EQUIPMENT, net	1,071,050	4,261,974	-	5,333,024
TOTAL ASSETS	$ 529,138,032	$ 171,018,140	$ (10,500)	$ 700,145,672

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

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 1,224,647	$ 216,474	$ (10,500)	$ 1,430,621
GRANTS PAYABLE	5,518,711	3,146,841	-	8,665,552
PRESENT VALUE OF ANNUITY PAYMENTS	16,602,100	-	-	16,602,100
DEFERRED RENT	939,431	-	-	939,431
DEBT, LINES OF CREDIT	1,400,000	-	-	1,400,000
AGENCY ENDOWMENT FUNDS	61,693,159	-	-	61,693,159
TOTAL LIABILITIES	87,378,048	3,363,315	(10,500)	90,730,863
NET ASSETS	441,759,984	167,654,825	-	609,414,809
TOTAL LIABILITIES AND NET ASSETS	$ 529,138,032	$ 171,018,140	$ (10,500)	$ 700,145,672

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

ADDITIONAL INFORMATION

Year Ended March 31, 2015

COMBINING SCHEDULE OF ACTIVITIES

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	$ 63,468,278	$ 1,313,161	$ -	$ 64,781,439
Interest and dividend income	5,611,097	2,615,881	-	8,226,978
Realized/unrealized investment gains	13,747,347	3,280,335	-	17,027,682
Change in split interest agreements	1,173,519	-	-	1,173,519
Administrative and trustee fee revenues	1,657,068	-	(1,040,965)	616,103
Interfund gifts	14,113,454	73,334	(14,186,788)	-
Rental income	234,643	475,823	-	710,466
Other income	674,639	37,168	-	711,807
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	100,680,045	7,795,702	(15,227,753)	93,247,994
EXPENSES				
Program expenses				
Grants	35,010,332	8,131,107	(36,623)	43,104,816
Interfund grants	13,634,665	515,500	(14,150,165)	-
Other program expenses	6,241,413	2,945,573	-	9,186,986
Total program expenses	54,886,410	11,592,180	(14,186,788)	52,291,802
Management and general	5,285,693	1,917,473	(1,040,965)	6,162,201
Fundraising	2,613,387	122,610	-	2,735,997
TOTAL EXPENSES	62,785,490	13,632,263	(15,227,753)	61,190,000
CHANGE IN NET ASSETS	$ 37,894,555	$ (5,836,561)	$ -	$ 32,057,994