THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED FINANCIAL STATEMENTS

Year Ended March 31, 2018

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CONTENTS

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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, 2018, 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, 2018, 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'*** 2017 combined financial statements, and we expressed an unmodified opinion on those audited combined financial statements in our report dated October 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

September 11, 2018

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED STATEMENT OF FINANCIAL POSITION

March 31, 2018
(with comparative totals at March 31, 2017)

	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	$ 5,227,346	$ 4,723,699
PREPAID EXPENSES AND OTHER ASSETS	327,146	358,967
RECEIVABLES, net	51,592,406	35,488,968
INVESTMENTS	876,105,833	784,728,149
PROPERTY AND EQUIPMENT, net	5,344,978	5,307,401
TOTAL ASSETS	$ 938,597,709	$ 830,607,184
LIABILITIES AND NET ASSETS		
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 476,340	$ 786,718
GRANTS PAYABLE	6,752,647	7,376,205
PRESENT VALUE OF ANNUITY PAYMENTS		
Charitable remainder trusts	14,467,781	14,838,280
Charitable gift annuities	1,340,524	1,865,283
TOTAL PRESENT VALUE OF ANNUITY PAYMENTS	15,808,305	16,703,563
RENT ACCRUED UNDER NON-LEVEL LEASES	774,071	811,213
PROGRAMMATIC REVOLVING LOANS	2,425,000	2,425,000
AGENCY FUNDS AND FUNDS HELD FOR OTHERS	95,322,043	79,673,356
TOTAL LIABILITIES	121,558,406	107,776,055
NET ASSETS		
Unrestricted		
Controlling interest	798,259,881	705,085,248
Noncontrolling interest	-	461,493
Total unrestricted	798,259,881	705,546,741
Temporarily restricted	18,779,422	17,284,388
TOTAL NET ASSETS	817,039,303	722,831,129
TOTAL LIABILITIES AND NET ASSETS	$ 938,597,709	$ 830,607,184

See Notes to Combined Financial Statements

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED STATEMENT OF ACTIVITIES

Year Ended March 31, 2018
(with comparative totals for the year ended March 31, 2017)

		Temporarily	Totals	
	Unrestricted	**Restricted**	**2018**	**2017**
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	$ 108,491,669	$ 222,671	$ 108,714,340	$ 67,073,688
Investment income	60,221,813	-	60,221,813	69,426,058
Interest from notes receivable	733,150	-	733,150	331,933
Change in split interest agreements	(546,436)	1,511,010	964,574	1,465,110
Administrative and trustee fee revenues	870,480	-	870,480	649,103
Rental income	784,897	-	784,897	1,178,058
Other income (charges)	(406,104)	-	(406,104)	235,600
Total contributions, revenues and other support before net assets released from restrictions	170,149,469	1,733,681	171,883,150	140,359,550
Net assets released from restrictions	238,647	(238,647)	-	-
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	170,388,116	1,495,034	171,883,150	140,359,550
EXPENSES				
Program expenses:				
Grants and scholarships	56,657,412	-	56,657,412	45,264,158
Other program expenses	8,475,477	-	8,475,477	9,505,465
Total program expenses	65,132,889	-	65,132,889	54,769,623
Management and general	9,229,359	-	9,229,359	8,907,904
Fundraising	3,312,728	-	3,312,728	3,467,969
TOTAL EXPENSES	77,674,976	-	77,674,976	67,145,496
CHANGE IN NET ASSETS	92,713,140	1,495,034	94,208,174	73,214,054
NET ASSETS, BEGINNING OF YEAR	705,546,741	17,284,388	722,831,129	649,617,075
NET ASSETS, END OF YEAR	$ 798,259,881	$ 18,779,422	$ 817,039,303	$ 722,831,129

See Notes to Combined Financial Statements

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

COMBINED STATEMENT OF CASH FLOWS

Year Ended March 31, 2018
(with comparative totals for the year ended March 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 94,208,174	$ 73,214,054
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated investments	(25,022,981)	(10,750,000)
Realized/unrealized investment (gains) losses	(44,306,282)	(58,736,267)
Provision for uncollectible pledges receivable	602,904	1,183,511
Change in split interest agreements and present value of annuity payments, net	(895,258)	1,250,195
Change in discount on notes receivable	(203,626)	144,883
Change in discount on grants payable	110,333	2,296
Depreciation and amortization	438,892	307,506
Loss on disposal of property and equipment	340,059	24,248
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(18,166,856)	1,919,890
Prepaid expenses and other assets	31,821	(55,452)
Increase (decrease) in:		
Accounts payable and accrued expenses	(310,378)	(350,405)
Grants payable	(733,891)	(4,098,679)
Rent accrued under non-level leases	(37,142)	(13,656)
Agency funds and funds held for others	9,902,590	5,208,200
Net cash provided by operating activities	15,958,359	9,250,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	116,705,948	291,313,536
Collections on notes receivable	4,208,206	1,723,863
Purchases of investments	(117,092,741)	(290,305,407)
Interest and dividends reinvested	(15,915,531)	(10,689,791)
Issuance of notes receivable	(2,544,066)	(1,750,000)
Purchases of property and equipment	(816,528)	(445,111)
Net cash used in investing activities	(15,454,712)	(10,152,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from programmatic revolving loans	-	1,025,000
Net cash provided by financing activities	-	1,025,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	503,647	122,414
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,723,699	4,601,285
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,227,346	$ 4,723,699
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Realized/unrealized gains (losses) on agency fund investments	$ 5,746,097	$ 7,879,722
Donated investments	$ 25,022,981	$ 10,750,000

See Notes to Combined Financial Statements

(1) Foundation's 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 in support of the Foundation's exempt purpose. The Support Foundations consist of the following entities:

- AFC Public Foundation
- Armstrong Family Foundation
- Arizona Foundation for Women
- Burton 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
- Rosenbluth Family Charitable Foundation
- Silverman Family Foundation
- Petznick Stewart Foundation
- Jim Troxell Foundation
- James A. Unruh Family Foundation
- Vogel Charitable Foundation
- WAZE Foundation
- Wellik Foundation and Subsidiary
- Robert J. Wick Family Foundation
- Walter M. Wick Family Foundation

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

Effective April 1, 2016, the Foundation formed a new support organization Arizona Foundation for Women ("AFW") and acquired the assets of another nonprofit organization. No consideration was paid in exchange for the assets. The impact of the merger resulted in the nonprofit organization liquidating its assets and liabilities, with the net assets in cash and property being transferred to AFW. AFW did not assume any business or non-profit activities of the nonprofit organization. As such, the merger did not constitute a business combination and was recognized by the Foundation as a contribution. Accordingly, the Foundation recognized $1,037,621 of contribution revenue in fiscal 2017, which was valued at the estimated net assets expected to be received in the form of cash upon liquidation, reduced by any liabilities assumed.

During the fiscal year ended March 31, 2016, Youth Partners Foundation acquired the assets of another nonprofit organization and changed its legal name to Vogel Charitable Foundation. The impact of the merger resulted in the nonprofit organization liquidating their assets and liabilities, with the net assets in cash and property being transferred to the Foundation. The Foundation will not assume any business or non-profit activities of the nonprofit organization. As such, the merger does not constitute a business combination and has been recognized by the Foundation as a contribution. Accordingly, the Foundation has recognized $1,248,000 of contribution revenue, which was valued at the estimated net assets expected to be received in the form of cash upon liquidation.

During the fiscal year ended March 31, 2018, the Rosenbluth Family Charitable Foundation was organized as a support organization stemming from the bequest receivable of $27 million from the related estate.

During the fiscal year ended March 31, 2018, the Petznick Stewart Foundation was organized as a support foundation with anticipated contributions that had not been received by the end of the fiscal year.

During the fiscal year ended March 31, 2018, WAZE Foundation and Vogel Charitable Foundation disposed of essentially all of their assets, but they continue to exist as separate legal entities.

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

The Financial Accounting Standards Board ("FASB") 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* ("ASC").

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"). Included in the Support Foundations is a wholly owned subsidiary of the Wellik Foundation, which requires consolidation and was the result of a gift to that organization. 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.

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

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: net assets that are not subject to donor-imposed stipulations and donor-restricted contributions whose restrictions are met in the same reporting period.
- Temporarily restricted net assets: net assets subject to donor-imposed stipulations that will be either met by actions of the Foundation or the passage of time.
- Permanently restricted net assets: net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. The Foundation had no permanently restricted net assets at March 31, 2018 and 2017.

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, including unconditional promises to give, are recognized as revenues in the period received. Contributions 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 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. One donor comprised 26% of total contributions for the year ended March 31, 2018. Three donors comprised 45% of total contributions for the year ended March 31, 2017.

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.

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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's combined financial statements for the year ended March 31, 2017 from which the summarized information was derived.

Reclassifications – Certain reclassifications have been made to the 2017 summarized comparative combined financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged as a result of these reclassifications.

Management's use of estimates – The preparation of combined financial statements in conformity with 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Fair value measurement – FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the inputs used to measure fair values, and requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Foundation's policy for determining the timing of significant transfers between levels of the fair value hierarchy is at the date of the event or change in circumstances that caused the transfer. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the year ended March 31, 2018.

Equity securities, debt securities, and mutual funds	Valued at the closing price reported in the active market.
Real estate	Valued at the lesser of the most recent appraised value or listed sale value, less applicable closing costs.
Closely held stocks or partnership interests	Valued using either cost approach, relative value, or discounted cash flows, with applicable discounts
Life insurance policies	Valued at cash surrender value
Alternative investments	Valued using net asset value of the shares held at year end as the practical expedient for fair value
Annuity liabilities under split interest agreements	Valued at the present value of future cash flows using actuarial mortality tables

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or inputs to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

Cash and cash equivalents – For purposes of the combined statement of cash flows, cash and cash equivalents include liquid accounts with original maturities of three months or less that are not designated for investment purposes. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

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

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.

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 at fair value all investments in debt and equity securities that have readily determinable fair values. Under FASB ASC 958-325, other assets held as investments are recorded at fair value at the dates they 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.

The Foundation's primary investment objective is to prudently manage charitable assets to achieve positive, long-term rates of return. To meet its objective, the Foundation offers a variety of investment options to serve donors' charitable goals and time horizons.

- Pooled Investments consist of four distinct investment pools whose holdings are selected in order to seek long-term capital appreciation, while achieving various degrees of liquidity, market volatility risks, and social impact objectives. Pooled investments are managed by third-party investment managers and are monitored by management and the Investment Committee of the Board of Directors.
- Brokered Investments are managed by external money managers who are recommended by donors and who are independent of the Foundation and its donors. These managers agree to adhere to investment guidelines and policies prescribed by the Foundation.
- All other investments are managed on an individual basis to maximize preservation of the original gift value and liquidity.

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.

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

The Foundation invests in alternative investments, which include institutional funds and private equity funds. Institutional funds are multi-strategy, comingled equity and bond funds. Private equity funds are comprised of investments in limited partnerships. These partnerships generally represent restricted investment securities whose values have been estimated by the managing partner of the partnership in the absence of readily ascertainable market values.

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 $5,000 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 2018 and 2017.

Split interest agreements – The Foundation has entered into several charitable gift annuities, charitable remainder trusts, and charitable lead trusts. In some cases, the Foundation is the trustee and at other times, it holds a beneficial interest in the agreement. Under these agreements, the donor contributes assets into a trust in exchange for either regular distributions for a specified period of time to the donor or other beneficiaries, or a remainder interest at the end of the trust term. In either case, the Foundation is either a full or partial beneficiary of the alternate interest.

Irrevocable Charitable Remainder Trusts - Foundation as Trustee
Payments are made to the 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. Investments held in the charitable remainder trusts are reported at fair value. A liability is recognized at inception of the trust at the present value of the estimated payments to beneficiaries over the trust term, with the remainder value to the Foundation recognized as a temporarily restricted contribution. The liability is revalued annually using present value techniques. Investment returns and liability changes 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 ($14,467,781 at March 31, 2018 and $14,838,280 at March 31, 2017) is calculated using discount rates of 4.89% and 2.40% for the years ended March 31, 2018 and 2017, respectively, and the applicable Internal Revenue Service ("IRS") mortality tables.

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

Irrevocable Charitable Remainder Trusts – Third Party as Trustee
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 4.89% and 6.00%, respectively, for the years ended March 31, 2018 and 2017, and the applicable IRS mortality tables. These split interest agreements are presented as receivables in the accompanying combined statement of financial position, as the Foundation does not manage the underlying investments.

Charitable Lead Trusts
The Foundation is the named beneficiary in charitable lead trusts in which the Foundation is not the trustee. Under these agreements, the Foundation has recorded a receivable for the present value of the estimated cash flows from the trust, which has been estimated using discount rates of 4.89% and 6.00%, respectively, for the years ended March 31, 2018 and 2017, and the applicable IRS mortality tables.

Charitable Gift Annuities
The Foundation currently administers charitable gift annuities that provide a periodic payment to the beneficiaries until the obligation is completed in accordance with the underlying agreement. The assets contributed under the charitable gift annuity agreements are carried at fair value. 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-based 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 annually for the accretion of the discount, changes in rates, and other changes in the estimates of future benefits. The Foundation has insured a portion of these instruments in order to reduce the Foundation's risk and exposure. Accordingly, a portion of these agreements are administered by a third party insurance company under a group annuity contract which is reported as an asset held under a split interest agreement.

Rent accrued under non-level leases – The Foundation accounts for its leases in accordance with FASB ASC 840, *Leases*. Certain operating leases contain escalation, abatement and tenant improvement allowance provisions. The Foundation recognizes the total lease commitment ratably over the life of the lease, regardless of the payment terms. The cumulative difference between rent charged to expense and the rent paid is recorded as rent accrued under non-level leases on the combined statement of financial position. The cumulative difference between rent paid and rent charged to expense was $774,071 and $811,213 at March 31, 2018 and 2017, respectively.

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was $47,124 for 2018 and $73,884 for 2017.

Grants and scholarships – Grants and scholarships are recorded when approved. In some instances, the recipient is required to meet certain conditions prior to receiving the funds. Due to the uncertainty of meeting these conditions, recognition of the expense is delayed until such time as the condition is met. Certain grants and scholarships are not conditional, but are scheduled to be paid in future years. Management has recorded these at face value, as it has been determined that the applicable discount is not material to the combined financial statements as a whole.

(1) Foundation's 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, 2018 and 2017, management believes the Foundation and Support Foundations did not have any uncertain tax positions.

The Foundation's and Support Foundations' federal Returns of Organizations Exempt From Income Tax (Form 990) for 2015, 2016, and 2017 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the 2018 returns had not yet been filed.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of 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 ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation is currently evaluating the effect that the adoption of this standard will have on the combined financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in combined financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

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

Subsequent events – The Foundation has evaluated subsequent events through September 11, 2018 which is the date the combined financial statements were available to be issued.

(2) Receivables

As of March 31, 2018 and 2017, receivables consisted of the following:

	2018	2017
Notes receivable, net	$ 10,748,994	$ 12,484,507
Bequests receivable	34,030,688	16,422,071
Beneficial interest in charitable remainder trusts	5,743,304	5,419,348
Charitable lead trusts	877,817	1,104,944
Other	191,603	58,098
	$ 51,592,406	$ 35,488,968

(2) Receivables (continued)

Notes receivable are comprised of promissory notes contributed to the Foundation by donors and notes receivable initiated by the Foundation under its community impact loan program and its affordable housing pre-development loan program. The components of notes receivable are as follows:

	2018	2017
Promissory notes assigned to the Foundation:		
Note receivable from an entity controlled by a Board member of a support foundation, secured by a deed of trust, receivable in annual principal payments of $600,000 along with interest only payments receivable annually at LIBOR plus 2.0% (3.88% at March 31, 2018); the note is due in December 2021.	$ 2,341,401	$ 2,941,401
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 upon maturity. In December 2015, the note continued on a month to month basis. In July 2017, the note was amended to extend the maturity to December 2019.	3,164,588	3,283,058
Note receivable, secured by a deed of trust, receivable in monthly interest only payments at 4%; and a balloon payment of principal due in July 2019. Note paid in full during the year ended March 31, 2018.	-	1,825,957
Note receivable, unsecured, interest only payments of $7,083 until December 2019 and then monthly payments of $31,568 are due including interest at 8.5%; the note is due in November 30, 2022.	1,000,000	1,000,000
Note receivable, secured by a deed of trust, receivable in monthly installments of $1,760 including interest at 3.50%; the note is due in December 2040.	330,928	340,285
Note receivable, unsecured, annual interest only payments at 7%; the note is due in March 2019.	480,000	480,000
Note receivable, unsecured, all principal and accrued interest at 5.00% due and payable in May 2018; the note is due in May 2018.	25,000	-
Note receivable, secured by land, receivable in quarterly installments of principal and interest at 5.00% of average monthly balance; the note is due in December 2019.	73,779	-

(2) Receivables (continued)

	2018	2017
Notes Receivable - Community Impact Loan Program:		
Note receivable, secured by real property, receivable in monthly installments of $3,353 including interest at 3.50%; the note is due in September 2020.	96,177	132,362
Note receivable, secured by real property, receivable in monthly installments of $9,096 including interest at 3.50%; the note was due in December 2021.	-	500,000
Note receivable, secured by real property, receivable in interest only payments of $333 until May 2017 at which point the receivable amount is changed to monthly installments of $3,833 including interest at 4.00%; the note is due in November 2020.	116,106	100,000
Note receivable, unsecured, and receivable in annual amounts of $75,000, including quarterly interest payments at 3.50%; the note was due in June 2018.	-	125,000
Note receivable, secured by equipment, receivable in monthly installments of $6,500 including interest at 2.5%; the note is due in December 2021.	278,444	348,525
Note receivable, secured by property, receivable in monthly installments of $6,834 including interest at 4%; the note is due in April 2021.	-	307,872
Note receivable, unsecured, interest only payments until February 2016 and then monthly payments of $9,121 are due including interest at 4.5%; the note is due in January 2020.	192,271	290,660
Note receivable, unsecured, annual installments of $50,000 are due including interest at 3.5%; the note is due in May 2021.	175,000	225,000
Note receivable, receivable in interest only payments until April 2021 at which receivable amount is changed to monthly installments of including annual interest at 2.85%; the note is due in April 2023.	25,000	-
Note receivable, secured by real property, receivable in monthly installments of $6,151 including interest at 4.00%; the note is due in April 2024.	402,786	-

(2) Receivables (continued)

	2018	2017
Note receivable, secured by real property, receivable in interest only payments until March 2018 at which time the receivable amount is changed to monthly installments of $20,048 including interest at 4.00%; the note is due in September 2024.	187,500	-
Note receivable, secured by deed of trust, receivable in quarterly interest only payments of $5,250 at 3.50%; and a balloon payment of principal due in October 2020.	600,000	-
Note receivable, secured by deed of trust, receivable in monthly interest only payments until May 2018 at which point the receivable amount is changed to monthly installments of $7,918 including interest at 4.00%; the note is due in January 2023.	500,000	-
Notes Receivable - Affordable Housing Pre-Development Loan Program:		
Loan receivable, no interest, matures upon the earlier of: completion and termination of the program, acquisition/rehabilitation and resale of 15 foreclosed houses, or maturity date of the agreement	75,000	75,000
Loan receivable, no interest, matures upon earlier of: the sale of the 2 homes covered by the grant or the maturity date of the agreement	70,000	70,000
Loan receivable, no interest, matures upon earlier of: receipt of predevelopment or construction financing, the date of the sale of the property project, or the maturity date of the agreement	21,810	46,809
Loan receivable, no interest, unsecured, matures January 2020	41,000	44,000
Loan receivable, no interest, unsecured, matures August 2017	-	75,000
Loan receivable, no interest, unsecured, matures December 2017	27,204	27,204
Loan receivable, no interest, unsecured, matures August 2018	-	75,000
Loan receivable, no interest, unsecured, matures July 2018	-	100,000
Loan receivable, no interest, unsecured, matures December 2018	100,000	100,000
Loan receivable, no interest, unsecured, matures December 2018	100,000	100,000

(2) Receivables (continued)

	2018	2017
Loan receivable, no interest, unsecured, matures December 2018	-	75,000
Loan receivable, no interest, unsecured, matures May 2019	75,000	-
Loan receivable, no interest, unsecured, matures August 2019	100,000	-
Loan receivable, no interest, unsecured, matures November 2019	75,000	-
Loan receivable, no interest, unsecured, matures November 2019	75,000	-
Discount on notes	-	(203,626)
Total notes receivables	$ 10,748,994	$ 12,484,507

Notes receivable are normally discounted at an appropriate discount rate. A discount was not considered significant for financial reporting, and, accordingly, no discount was presented in the accompanying combined financial statements.

Scheduled collections on notes receivable at March 31, 2018 are as follows:

Years Ending March 31,	
2019	$ 2,248,433
2020	4,219,429
2021	1,954,675
2022	1,085,291
2023	830,624
Thereafter	410,542
Total	$ 10,748,994

Two notes receivable comprised 51% and 50% of the total notes receivables balance at March 31, 2018 and 2017, respectively. Interest on notes receivable is recognized over the term of the note 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 $90,274 for 2018 and $156,254 for 2017.

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
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.

(2) Receivables (continued)

Bequests Receivable
For the years ended March 31, 2018 and 2017, bequests receivable were comprised of bequests from two separate donors that accounted for 81.7% and 99.8% of the balances for each year, respectively.

Collectability
All 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 considers receivables to be fully collectible at March 31, 2018 and 2017.

(3) Investments

Investments consist of:

	2018	2017
Pooled investments	$ 497,757,441	$ 450,979,426
Brokered investments	309,446,808	273,774,333
Assets held under charitable remainder trusts	26,406,081	25,376,459
Partnerships and other closely held equity	13,227,727	9,365,588
Real estate	27,389,763	24,590,000
Group annuity contract	939,211	-
Cash surrender value of life insurance	422,879	352,338
Beneficial interest in life estate	220,000	220,000
Other investments	295,923	70,005
	$ 876,105,833	$ 784,728,149

The pooled investments include $1,266,906 and $1,786,398 as of March 31, 2018 and 2017, respectively, of assets held to satisfy charitable gift annuities.

(3) Investments (continued)

Pooled investments are comprised of the following:

2018

	Not Categorized	Fair Value Level 1	Total
Cash and cash equivalents	$ 40,046,036	$ -	$ 40,046,036
Equities mutual funds:			
Small/mid cap funds	-	18,006,272	18,006,272
International funds	-	41,902,598	41,902,598
Equity index funds	-	82,959,260	82,959,260
Emerging markets funds	-	18,480,241	18,480,241
Fixed income funds:			
Bond funds	-	24,378,112	24,378,112
U.S. treasuries and agency securities	-	23,267,750	23,267,750
Private equity and hedge funds	104,326,864	-	104,326,864
Comingled trust funds	144,390,308	-	144,390,308
Total	$ 288,763,208	$ 208,994,233	$ 497,757,441

2017

	Not Categorized	Fair Value Level 1	Total
Cash and cash equivalents	$ 34,829,712	$ -	$ 34,829,712
Equities mutual funds:			
Small/mid cap funds	-	16,868,224	16,868,224
International funds	-	35,252,863	35,252,863
Equity index funds	-	81,098,055	81,098,055
Emerging markets funds	-	14,797,075	14,797,075
Fixed income funds:			
Bond funds	-	61,630,590	61,630,590
Private equity and hedge funds	93,740,023	-	93,740,023
Comingled trust funds	112,762,884	-	112,762,884
Total	$ 241,332,619	$ 209,646,807	$ 450,979,426

(3) Investments (continued)

Brokered investments are held in 99 investment accounts managed by various external money managers who adhere to investment guidelines and policies prescribed by the Foundation. External managers' investment allocation is monitored by Foundation management and the Investment Committee, and is comprised of the following aggregated categories:

2018		**Fair Value**		
	Not Categorized	**Level 1**	**Level 2**	**Total**
Cash and cash equivalents	$ 14,989,843	$ -	$ -	$ 14,989,843
Equities and equities mutual funds:				
Equity index funds	-	8,929,998	-	8,929,998
International equities fund	-	5,863,164	-	5,863,164
Real estate funds	-	1,071,383	-	1,071,383
Other mutual funds and exchange traded funds	-	78,810,212	-	78,810,212
Domestic equities	-	120,337,411	-	120,337,411
International equities	-	443,126	-	443,126
Fixed income and fixed income funds:				
Bond mutual funds	-	33,215,236	-	33,215,236
Corporate bonds	-	-	39,056,125	39,056,125
Government bond funds	-	698,505	-	698,505
Alternative investments:				
Private equity and hedge funds	6,031,805	-	-	6,031,805
Total	$ 21,021,648	$ 249,369,035	$ 39,056,125	$ 309,446,808

(3) Investments (continued)

2017		**Fair Value**		
	Not Categorized	**Level 1**	**Level 2**	**Total**
Cash and cash equivalents	$ 16,803,114	$ -	$ -	$ 16,803,114
Equities and equities mutual funds:				
Equity index funds	-	33,022,737	-	33,022,737
Emerging markets funds		1,484,736		1,484,736
International equities fund	-	17,237,276	-	17,237,276
Real estate funds	-	3,092,727	-	3,092,727
Other mutual funds and exchange traded funds	-	66,065,522	-	66,065,522
Domestic equities	-	69,277,228	-	69,277,228
Fixed income and fixed income funds:				
Bond mutual funds	-	24,237,532	-	24,237,532
Corporate bonds	-	-	28,281,234	28,281,234
Government bond funds		5,599,525	-	5,599,525
US Treasury securitites		-	5,214,829	5,214,829
Alternative investments:				
Private equity and hedge funds	3,457,873	-	-	3,457,873
Total	$ 20,260,987	$ 220,017,283	$ 33,496,063	$ 273,774,333

Other investments are categorized as follows:

	2018	**Fair Value Level**	**2017**	**Fair Value Level**
Assets held under charitable remainder trusts:				
Cash and cash equivalents	$ 1,067,715	NA	$ 1,243,213	NA
Government securities	-	1	2,942,396	1
Equity mutual funds	6,917,592	1	-	1
Fixed income mutual funds	66,303	1	896,549	1
Corporate bonds	6,775,307	2	2,980,783	2
Domestic equities	11,579,164	1	17,313,518	1
Partnerships and other closely held equity	8,221,685	3	5,222,940	3
Partnerships and other closely held equity	5,006,042	NA	4,142,648	NA
Real estate	27,389,763	3	24,590,000	3
Group annuity contract	939,211	3	-	
Cash surrender value of life insurance	422,879	3	352,338	3
Beneficial interest in life estate	220,000	3	220,000	3
Other investments	295,923	3	70,005	3
	$ 68,901,584		$ 59,974,390	

(3) Investments (continued)

Investment income on the accompanying combined statement of activities is comprised of the following:

	Pooled	Brokered	Other	Less amounts apportioned to agency funds	2018 Total	2017 Total
Interest, dividends, and distributions	$ 8,559,091	$ 8,071,909	$ 812,219	$ (1,527,688)	$ 15,915,531	$ 10,689,791
Realized gains and losses	20,169,280	12,667,621	397,174	(3,546,893)	29,687,182	51,171,038
Unrealized gains and losses	11,412,646	4,327,767	1,077,891	(2,199,204)	14,619,100	7,565,229
	$ 40,141,017	$ 25,067,297	$ 2,287,284	$ (7,273,785)	$ 60,221,813	$ 69,426,058

Expenses relating to investment revenues, including custodial fees and investment advisory fees of $1,902,727 for 2018 and $1,947,543 for 2017, were charged to operations and are included in management and general expense in the accompanying combined statement of activities.

In accordance with FASB ASC 820, the Foundation is required to disclose the nature and risks of the investments reported at net asset value ("NAV").

The following table summarizes the nature and risk of these investments as of March 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Fund of Funds	$ 20,000,412	$ 9,280,164	n/a	n/a
Private Equity	18,173,947	10,038,044	n/a	n/a
Private Debt Fund	25,994,491	39,062,420	n/a	n/a
Multi-strategy Funds	46,216,569	-	monthly	30 to 60 day notice
Private Real Estate Funds	4,979,292	1,840,000	n/a	n/a
Comingled Trust Fund 1	26,861,140	-	daily	2 day notice
Comingled Trust Fund 2	62,350,855	-	daily	1 day notice
Comingled Trust Fund 3	55,178,313	-	daily	1 day notice
Total	$ 259,755,019	$ 60,220,628		

(3) Investments (continued)

The following table summarizes the nature and risk of these investments as of March 31, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Long/Short Hedge Funds	$ 39,015,274	$ -	quarterly	30 day notice
Private Equity Fund of Funds	32,159,357	12,007,587	n/a	n/a
Private Equity Fund of Funds- International	2,226,453	257,764	quarterly	60 day notice
Other Alternative Investment Funds	10,610,573	6,128,350	n/a	n/a
Multi-strategy Funds	17,328,887	41,894,245	annual	30 to 60 day notice
Comingled Trust Fund 1	24,433,143	-	daily	2 day notice
Comingled Trust Fund 2	50,350,147	-	daily	5 day notice
Comingled Trust Fund 3	37,979,594	-	daily	1 day notice
Total	$ 214,103,428	$ 60,287,946		

Equity Long/Short Hedge Funds – This category includes investments in direct hedge funds that invest primarily in U.S. common stocks on both a long and short basis. 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 – This category includes funds that make leveraged buyout and growth capital investments, primarily through control-oriented equity interests, in middle-market companies. The funds invest in companies both in the US and internationally, and across a variety of sectors.

Private Equity Fund of Funds – This category includes funds that make investments in direct private equity funds or purchase interests in private equity funds on the secondary market. Underlying strategies primarily include leveraged buyouts, venture capital, growth capital, distressed investments, and mezzanine capital. While the managers will make distributions over the life of the funds as exit opportunities arise, redemptions are not permitted.

Private Equity Fund of 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.

Private Debt Fund – This category includes funds that invest primarily in newly originated debt, with a focus on secured debt, including commercial loans, notes, corporate debt securities, bridge loans, assignments, participations, total return swaps, and first mortgage floating rate loans.

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

Multi-strategy Funds – This category includes funds that are expected to produce favorable risk-adjusted returns while maintaining low long-term average correlation to traditional markets. The funds have a variety of investment strategies that may utilize both long and short positions globally in a broad range of instruments including equities, fixed income, currencies, ETFs, futures, forwards, options, swaps, and other derivative products.

(3) Investments (continued)

Private Real Estate Funds – This category includes a fund that invests in real estate and real estate-related debt, companies, securities and other assets on a global basis, with an emphasis on investments in the United States.

Comingled Trust Fund 1 – This fund invests in publicly-traded US equity securities included in the FTSE RAFI US 1000 Index, which may include common stocks, preferred stocks, depository receipts, or convertible securities. The investment objective of the Fund is to approximate, before expenses, the performance of the FTSE RAFI US 1000 Index.

Comingled Trust Fund 2 – This fund invests in publicly-traded non-US equity securities included in the MSCI EAFE Index, which may include common stocks, preferred stocks, depository receipts, or convertible securities. The investment objective of this fund is to approximate, as closely as possible, the risk and return characteristics of the MSCI EAFE Index.

Comingled Trust Fund 3 – This fund invests primarily in publicly-traded, investment-grade debt and fixed income securities, either directly or indirectly through other commingled investment vehicles. The investment objective of the fund is to maximize long-term total returns, consistent with prudent investment management.

(4) Property and equipment

Property and equipment consists of:

	2018	2017
Cost:		
Land and building improvements	$ 4,152,162	$ 4,152,162
Furniture, fixtures and equipment	1,677,208	1,414,597
Leasehold improvements	1,193,880	1,140,035
Art objects	29,257	29,257
Total cost	7,052,507	6,736,051
Accumulated depreciation and amortization	(1,707,529)	(1,428,650)
Net property and equipment	$ 5,344,978	$ 5,307,401

Depreciation and amortization expense charged to operations was $438,892 for 2018 and $307,506 for 2017.

(5) 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 0% to 4.25% during 2017. A discount was not considered significant for financial reporting during 2018. The following is a summary of grants authorized and payable at March 31:

	2018	2017
Grants payable to be paid in less than one year	$ 3,570,426	$ 4,469,288
Grants payable to be paid in one to five years	3,182,221	3,017,250
Gross grants authorized but unpaid	6,752,647	7,486,538
Less: discount on long-term grants	-	(110,333)
Net grants authorized but unpaid	$ 6,752,647	$ 7,376,205

(6) Agency funds and funds held for others

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 funds.

Included within agency funds are amounts held for loan guarantee programs in support of the Arizona Loans for Assistive Technology Program. The funds are held on behalf of Northern Arizona University and can only be used with their authorization.

The Foundation maintains variance power and legal ownership of agency 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 funds is summarized as follows:

	2018	2017
Agency funds, beginning of year	$ 79,673,356	$ 66,715,777
Contributions and additions	13,492,784	15,732,247
Investment income	1,552,877	845,627
Realized and unrealized investment gains (losses)	5,746,097	7,879,722
Withdrawal of funds	(236,736)	(4,048,149)
Grants and other distributions	(4,266,648)	(6,694,865)
Other expenses	-	(13,353)
Administration and investment fees	(639,687)	(743,650)
Agency funds, end of year	$ 95,322,043	$ 79,673,356

(7) Unrestricted net assets

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 had 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 convert to the same rights as Class A stock. The Class B stock was owned by an unrelated party until it was acquired by the Wellik Foundation during the year ended March 31, 2018. For the year ended March 31, 2017, the unrelated party’s ownership of the Class B stock has been disclosed as a noncontrolling interest in the combined financial statements.

(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 approximately 625 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 GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act (“MCFA”). The Board of Directors of the Foundation has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At March 31, 2018 and 2017, the Foundation had 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.

(9) Endowments (continued)

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic and international equities, fixed income, and 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, designated, scholarship, field of interest and unrestricted funds. The spending policy effective for the years ended March 31, 2018 and 2017 was to distribute an amount equal to approximately 4.25% and 5.00%, respectively, 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, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 11,938,299	$ -	$ 11,938,299
Board-designated endowment funds	299,082,972	-	-	299,082,972
Total funds	$ 299,082,972	$ 11,938,299	$ -	$ 311,021,271

The change in endowment net assets for the year ended March 31, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, April 1, 2017	$ 267,696,126	$ 10,538,179	$ -	$ 278,234,305
Contributions	18,009,173	222,670	-	18,231,843
Additonal funds designated as endowment	2,827,289	-	-	2,827,289
Investment return:				
Investment income, net	5,094,589	-	-	5,094,589
Realized and unrealized gains	19,335,835	-	-	19,335,835
Change in value of charitable remainder trusts	-	1,177,450	-	1,177,450
Appropriation of endowment assets for expenditure	(13,880,040)	-	-	(13,880,040)
Endowment net assets, March 31, 2018	$ 299,082,972	$ 11,938,299	$ -	$ 311,021,271

(9) Endowments (continued)

The endowment net assets composition by type of fund as of March 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 10,538,179	$ -	$ 10,538,179
Board-designated endowment funds	267,696,126	-	-	267,696,126
Total funds	$ 267,696,126	$ 10,538,179	$ -	$ 278,234,305

The change in endowment net assets for the year ended March 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, April 1, 2016	$ 239,766,635	$ 9,087,848	$ -	$ 248,854,483
Contributions	14,879,001	422,489	-	15,301,490
Investment return:				
Investment income, net	2,729,720	-	-	2,729,720
Realized and unrealized gains	26,028,054	-	-	26,028,054
Change in value of charitable remainder trusts	-	2,420,522	-	2,420,522
Appropriation of endowment assets for expenditure	(15,707,284)	(1,392,680)	-	(17,099,964)
Endowment net assets, March 31, 2017	$ 267,696,126	$ 10,538,179	$ -	$ 278,234,305

(10) Fundraising expenses

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

	2018	**2017**
Salaries and wages	$ 1,631,770	$ 1,638,473
Employee benefits	254,910	239,918
Payroll taxes	103,789	94,280
Marketing	103,297	172,533
Travel	103,724	88,253
Events	679,416	835,596
Other	435,822	398,916
Total fundraising expenses	$ 3,312,728	$ 3,467,969

(11) Retirement plans

Arizona Community Foundation sponsors a 403(b) retirement plan, which covers substantially all employees after specified periods of service and certain eligibility requirements have been met. The Foundation contributed 0% of the eligible employees' annual compensation for the employee's first year, and 6% contribution for all subsequent years. The Foundation made contributions to the plan of $345,201 for 2018 and $343,500 for 2017.

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 no contributions during 2018 and 2017.

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 $41,063 for 2018 and $51,783 for 2017. The plan also includes a provision for Rodel to make discretionary contributions to the plan. There were no discretionary contributions made during 2018 and 2017.

(12) Level 3 fair value measurements

The table below presents the change in fair value measurements that used Level 3 inputs during the year ended March 31, 2018:

	Receivables from charitable lead trusts and beneficial interest in trusts	Partnership Interests and stock in closely held companies	Real estate held for investment	Investments in cash surrender value of life insurance, beneficial interest in life estate and other level 3	Total
Balance at April 1, 2017	$ 6,524,292	$ 5,222,940	$ 24,590,000	$ 642,343	$ 36,979,575
Change in value of split-interest agreements	96,829	-	-	-	96,829
Purchases and contributions	-	5,095,786	8,112,000	1,166,807	14,374,593
Sales	-	(2,690,667)	(5,898,853)	-	(8,589,520)
Realized / unrealized gains (losses)	-	593,626	586,616	68,863	1,249,105
Balance at March 31, 2018	$ 6,621,121	$ 8,221,685	$ 27,389,763	$ 1,878,013	$ 44,110,582

(12) Level 3 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, 2017:

	Receivables from charitable lead trusts and beneficial interest in trusts	Partnership Interests and stock in closely held companies	Real estate held for investment	Investments in cash surrender value of life insurance, beneficial interest in life estate and other level 3	Total
Balance at April 1, 2016	$ 6,383,709	$ 5,878,280	$ 23,990,000	$ 548,260	$ 36,800,249
Change in value of split-interest agreements	(1,488,724)	-	-		(1,488,724)
Purchases and contributions	1,629,307	1,222,831	10,750,000	-	13,602,138
Sales	-	(1,881,782)	(11,400,000)	-	(13,281,782)
Realized and unrealized gains (losses)	-	3,611	1,250,000	94,083	1,347,694
Balance at March 31, 2017	$ 6,524,292	$ 5,222,940	$ 24,590,000	$ 642,343	$ 36,979,575

The liability for annuity payments due under charitable remainder trusts and charitable gift annuities is valued using fair value techniques, and includes the following activity for the year ended March 31, 2018:

	Charitable remainder trusts	Charitable gift annuities	Total
Balance at beginning of the year	$ 14,838,280	$ 1,865,283	$ 16,703,563
New gifts	483,759	231,618	715,377
Annuity payments	(1,563,643)	(192,629)	(1,756,272)
Revaluation of liability	709,385	(563,748)	145,637
	$ 14,467,781	$ 1,340,524	$ 15,808,305

The liability for annuity payments due under charitable remainder trusts and charitable gift annuities is valued using fair value techniques, and includes the following activity for the year ended March 31, 2017:

	Charitable remainder trusts	Charitable gift annuities	Total
Balance at beginning of the year	$ 13,421,572	$ 2,031,796	$ 15,453,368
New gifts	1,211,799	242,766	1,454,565
Annuity payments	(1,392,680)	(298,066)	(1,690,746)
Revaluation of liability	1,597,589	(111,213)	1,486,376
	$ 14,838,280	$ 1,865,283	$ 16,703,563

(13) Leases

The Foundation leases office equipment and office space under operating lease agreements with terms expiring in various years through July 2022. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year are as follows:

Years Ending March 31,	
2019	$ 877,370
2020	831,067
2021	801,249
2022	584,377
2023	2,024
Total minimum future rental payments	$ 3,096,087

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 $718,207 for 2018 and $826,205 for 2017.

(14) Programmatic revolving loans

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 was scheduled to mature May 1, 2018; however, during 2016 the maturity was extended to July 31, 2021, at which time any unpaid interest and principal is due. Interest is charged at 2.0% and is payable quarterly. The balance outstanding under the line of credit is $1,225,000 as of March 31, 2018 and $1,225,000 as of March 31, 2017. 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, 2018 and 2017, 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 $1,200,000 as of March 31, 2018 and $1,200,000 as of March 31, 2017.

(15) Line of credit

Effective March 2016, the Foundation entered into an unsecured line of credit agreement with Bank of America. The line has a maximum borrowing limit of $3,000,000 and matures December 30, 2018. Upon maturity, all unpaid interest and principal are due. Interest is charged at LIBOR plus 2.5% (4.2% as of March 31, 2018) and payable monthly. As of March 31, 2018 and 2017 there were no amounts outstanding under the line of credit. There are certain financial and non-financial covenants required by the bank.

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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, 2018, and have issued our report thereon dated September 11, 2018, which contained an unmodified opinion on those combined financial statements. Our audit was performed 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 34 and 35 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.

September 11, 2018

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

ADDITIONAL INFORMATION

March 31, 2018

COMBINING SCHEDULE OF FINANCIAL POSITION

A S S E T S

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
CASH AND CASH EQUIVALENTS	$ 3,815,408	$ 1,411,938	$ -	$ 5,227,346
PREPAID EXPENSES AND OTHER ASSETS	302,350	24,796	-	327,146
RECEIVABLES, net	17,568,834	34,574,681	(551,109)	51,592,406
INVESTMENTS	694,092,137	182,013,696	-	876,105,833
PROPERTY AND EQUIPMENT, net	1,188,632	4,156,346	-	5,344,978
TOTAL ASSETS	$ 716,967,361	$ 222,181,457	$ (551,109)	$ 938,597,709

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	$ 329,312	$ 698,137	$ (551,109)	$ 476,340
GRANTS PAYABLE	3,253,625	3,499,022	-	6,752,647
PRESENT VALUE OF ANNUITY PAYMENTS	15,808,305	-	-	15,808,305
RENT ACCRUED UNDER NON-LEVEL LEASES	774,071	-	-	774,071
PROGRAMMATIC REVOLVING LOANS	2,425,000	-	-	2,425,000
AGENCY FUNDS AND FUNDS HELD FOR OTHERS	95,322,043	-	-	95,322,043
TOTAL LIABILITIES	117,912,356	4,197,159	(551,109)	121,558,406
NET ASSETS	599,055,005	217,984,298	-	817,039,303
TOTAL LIABILITIES AND NET ASSETS	$ 716,967,361	$ 222,181,457	$ (551,109)	$ 938,597,709

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS

ADDITIONAL INFORMATION

Year Ended March 31, 2018

COMBINING SCHEDULE OF ACTIVITIES

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	$ 72,756,495	$ 35,957,845	$ -	$ 108,714,340
Investment income	45,672,221	14,549,592	-	60,221,813
Interest from notes receivable	330,620	402,530	-	733,150
Change in split interest agreements	964,574	-	-	964,574
Administrative and trustee fee revenues	870,480	-	-	870,480
Interfund gifts	(113,500)	113,500	-	-
Rental income	272,131	512,766	-	784,897
Other income (charges)	(43,854)	(362,250)	-	(406,104)
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	120,709,167	51,173,983	-	171,883,150
EXPENSES				
Program expenses:				
Grants and scholarships	48,195,308	8,462,104	-	56,657,412
Interfund grants	(1,606,758)	1,606,758	-	-
Other program expenses	7,151,463	1,324,014	-	8,475,477
Total program expenses	53,740,013	11,392,876	-	65,132,889
Management and general	6,726,384	2,502,975	-	9,229,359
Fundraising	3,183,957	128,771	-	3,312,728
TOTAL EXPENSES	63,650,354	14,024,622	-	77,674,976
CHANGE IN NET ASSETS	$ 57,058,813	$ 37,149,361	$ -	$ 94,208,174