

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS**

**COMBINED FINANCIAL STATEMENTS**

Year Ended March 31, 2020

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
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**COMBINED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**THE ARIZONA COMMUNITY FOUNDATION, INC.**  
**and SUPPORT FOUNDATIONS**  
Phoenix, Arizona

We have audited the accompanying combined financial statements of *The Arizona Community Foundation, Inc. and Support Foundations*, which comprise the combined statements of financial position as of March 31, 2020 and 2019, and the related combined statements of activities, and cash flows for the years 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 the 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 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 audits. We conducted our audits 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 auditor's 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 financial position of **The Arizona Community Foundation, Inc. and Support Foundations**, as of March 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona  
September 8, 2020

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS  
COMBINED STATEMENTS OF FINANCIAL POSITION  
March 31, 2020 and 2019**

	2020	2019
<b><u>ASSETS</u></b>		
CASH AND CASH EQUIVALENTS	\$ 4,084,168	\$ 6,887,762
PREPAID EXPENSES AND OTHER ASSETS	213,813	351,417
RECEIVABLES, net	33,248,020	48,043,878
INVESTMENTS	864,389,186	904,717,665
PROPERTY AND EQUIPMENT, net	1,148,132	559,242
TOTAL ASSETS	\$ 903,083,319	\$ 960,559,964
<b><u>LIABILITIES AND NET ASSETS</u></b>		
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 738,736	\$ 1,017,942
GRANTS PAYABLE	7,243,993	8,340,350
PRESENT VALUE OF ANNUITY PAYMENTS		
Charitable remainder trusts	11,865,155	14,115,637
Charitable gift annuities	1,068,660	1,313,681
TOTAL PRESENT VALUE OF ANNUITY PAYMENTS	12,933,815	15,429,318
RENT ACCRUED UNDER NON-LEVEL LEASES	145,111	200,812
PROGRAMMATIC REVOLVING LOANS	3,044,064	1,225,000
AGENCY FUNDS AND FUNDS HELD FOR OTHERS	92,421,714	97,421,044
TOTAL LIABILITIES	116,527,433	123,634,466
NET ASSETS		
Without donor restrictions	768,119,011	817,458,575
With donor restrictions	18,436,875	19,466,923
TOTAL NET ASSETS	786,555,886	836,925,498
TOTAL LIABILITIES AND NET ASSETS	\$ 903,083,319	\$ 960,559,964

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS  
COMBINED STATEMENTS OF ACTIVITIES**  
Year Ended March 31, 2020  
(with comparative totals for the year ended March 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	\$ 78,060,197	\$ 404,189	\$ 78,464,386	\$ 68,664,085
Investment income (loss)	(50,442,785)	-	(50,442,785)	20,415,346
Interest from notes receivables	759,235	-	759,235	545,255
Change in split interest agreements	-	(853,102)	(853,102)	262,983
Administrative and trustee fee revenues	1,077,131	-	1,077,131	907,735
Rental income	790,555	-	790,555	814,022
Other income (charges)	100,536	-	100,536	119,262
Total contributions, revenues and other support before net assets released from restrictions	30,344,869	(448,913)	29,895,956	91,728,688
Net assets released from restrictions:				
Charitable lead trusts	581,135	(581,135)	-	-
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	30,926,004	(1,030,048)	29,895,956	91,728,688
EXPENSES				
Program expenses:				
Grants and scholarships	61,914,387	-	61,914,387	54,716,065
Other program expenses	10,602,568	-	10,602,568	7,091,631
Total program expenses	72,516,955	-	72,516,955	61,807,696
Management and general	4,230,664	-	4,230,664	6,225,260
Fundraising	3,517,949	-	3,517,949	3,809,537
TOTAL EXPENSES	80,265,568	-	80,265,568	71,842,493
CHANGE IN NET ASSETS	(49,339,564)	(1,030,048)	(50,369,612)	19,886,195
NET ASSETS, BEGINNING OF YEAR	817,458,575	19,466,923	836,925,498	817,039,303
NET ASSETS, END OF YEAR	\$ 768,119,011	\$ 18,436,875	\$ 786,555,886	\$ 836,925,498

**THE ARIZONA COMMUNITY FOUNDATION, INC.**  
**AND**  
**SUPPORT FOUNDATIONS**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended March 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants & Scholarships	\$ 61,914,387	\$ -	\$ -	\$ 61,914,387
Salaries & Wages	3,388,555	1,857,521	1,334,718	6,580,794
Retirement Plan Contributions	211,012	115,671	83,115	409,798
Other Employee Benefits	338,309	185,453	133,257	657,019
Payroll Taxes	223,423	122,475	88,004	433,902
Advertising and Promotion	667,892	59,779	101,159	828,830
Depreciation	96,185	52,726	37,886	186,797
Dues, Subscriptions & Publications	94,852	51,995	37,361	184,208
Event Expenses	5,198	-	938,008	943,206
General Program Expenses	391,449	-	-	391,449
Information Technology	344,179	188,670	135,569	668,418
Insurance	106,556	130,746	41,971	279,273
Interest	153,471	-	-	153,471
Occupancy	423,683	232,253	166,885	822,821
Office Expenses	192,293	110,727	75,742	378,762
Other Expenses	277,208	453,443	55,561	786,212
Professional Services	3,430,232	527,737	187,061	4,145,030
Travel	258,071	141,468	101,652	501,191
Total	<u>\$ 72,516,955</u>	<u>4,230,664</u>	<u>3,517,949</u>	<u>\$ 80,265,568</u>

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS  
COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended March 31, 2019 \***

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants & Scholarships	\$ 54,716,065	\$ -	\$ -	\$ 54,716,065
Salaries & Wages	1,902,043	2,466,829	1,939,665	6,308,537
Retirement Plan Contributions	94,023	150,137	131,758	375,918
Other Employee Benefits	201,185	273,116	167,873	642,174
Payroll Taxes	124,124	159,160	116,475	399,759
Advertising and Promotion	143,814	157,463	163,729	465,006
Depreciation	227,345	78,970	74,969	381,284
Dues, Subscriptions & Publications	73,200	139,672	34,991	247,863
Event Expenses	-	-	712,745	712,745
General Program Expenses	682,150	-	-	682,150
Information Technology	97,018	668,039	36,511	801,568
Insurance	33,080	162,928	237	196,245
Interest	105,714	118,923	-	224,637
Occupancy	52,421	580,710	37,277	670,408
Office Expenses	33,850	233,677	38,753	306,280
Other Expenses	348,326	166,374	79,652	594,352
Professional Services	2,838,561	754,366	141,504	3,734,431
Travel	134,777	114,896	133,398	383,071
<b>Total</b>	<b>\$ 61,807,696</b>	<b>\$ 6,225,260</b>	<b>\$ 3,809,537</b>	<b>\$ 71,842,493</b>

\* Reclassified to conform to current year presentation



**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS  
COMBINED STATEMENTS OF CASH FLOWS**

Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (50,369,612)	\$ 19,886,195
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Donated investments	(12,489,906)	(4,136,343)
Realized/unrealized investment (gains) losses	68,896,945	(4,099,760)
Change in split interest agreements and present value of annuity payments, net	(2,495,503)	(378,987)
Provision of uncollectible notes receivable	200,000	-
Change in discount on notes receivable	8,595,266	-
Depreciation and amortization	186,798	381,284
Loss on disposal of property and equipment	-	4,583,705
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	17,822,357	14,328,952
Prepaid expenses and other assets	137,604	(24,271)
Increase (decrease) in:		
Accounts payable and accrued expenses	(279,206)	541,602
Grants payable	(1,096,357)	1,587,703
Deferred rent	(55,701)	(573,259)
Agency funds	(153,765)	1,980,074
Net cash provided by operating activities	<u>28,898,920</u>	<u>34,076,895</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	23,276,152	174,942,860
Collections on notes receivable	3,554,528	2,026,689
Purchases of investments	(26,191,514)	(178,594,128)
Interest and dividends reinvested	(18,008,762)	(16,605,534)
Issuance of notes receivable	(15,376,293)	(12,807,113)
Purchases of property and equipment	<u>(775,688)</u>	<u>(179,253)</u>
Net cash used in investing activities	(33,521,577)	(31,216,479)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on programmatic revolving loans	3,700,000	-
Payment on programmatic revolving loans	(2,250,000)	(1,200,000)
Borrowings on long-term debt	400,000	-
Payments on long-term debt	<u>(30,936)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>1,819,063</u>	<u>(1,200,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(2,803,594)	1,660,416
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>6,887,762</u>	<u>5,227,346</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,084,168</u>	<u>\$ 6,887,762</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES</b>		
Realized/unrealized gains (losses) on agency fund investments	<u>\$ (4,845,565)</u>	<u>\$ 118,927</u>
Donated real estate investments	<u>\$ 12,486,906</u>	<u>\$ 4,136,343</u>

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(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, and 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
- Petznick Stewart Foundation
- Edward J. Robson Family Foundation
- Rodel Charitable Foundation – AZ
- Rosenbluth Family Foundation
- Silverman Family Foundation
- Jim Troxell Foundation
- James A. Unruh Family Foundation
- Jane Starke Boyd and Alexander Boyd AZ Charitable Foundation
- Vogel Charitable Foundation
- WAZE Foundation
- Wellik Foundation and Subsidiary
- Robert J. Wick Family Foundation
- Walter M. Wick Family Foundation

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

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*.

**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. The underlying assets of this subsidiary were liquidated during the year ended March 31, 2019. 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.

**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 two groups of net assets:

- Net assets without donor restrictions: net assets that are not subject to donor-imposed stipulations and donor-restricted contributions whose restrictions are met in the same reporting period.
- Net assets with donor restrictions: net assets subject to donor-imposed stipulations that will be either met by actions of the Foundation or the passage of time.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

**Contributions** – In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional. The change in accounting principle was adopted on a modified prospective basis on April 1, 2019. As a result, there was no cumulative-effect adjustment to beginning net assets as of April 1, 2019.

Contributions are recorded without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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. Three donors comprised 20% of total contributions for the year ended March 31, 2020. Two donors comprised 25% of total contributions for the year ended March 31, 2019.

**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, 2019.

**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.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

**Fair value measurements** – FASB ASC 820, *Fair Value Measurements*, 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.

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.
Closely held stocks or partnership interests	No readily determinable fair value – measurement alternative
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
Real estate partnerships with non-controlling interest	Equity method

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

**Fair value measurements (continued)** – 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”).

**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.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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SUPPORT FOUNDATIONS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

**Investments** – The Foundation accounts for its investments in accordance with FASB ASC 958-320, Not-for-Profit Entities – Investments – Debt Securities, FASB ASC 958-321, Not-for-Profit Entities – Investments – Equity Securities and FASB ASC 958-325, Not-for-Profit Entities – Investments – Other. Under ASC 958-320 and ASC 958-321, the Foundation is required to report at fair value all investments in debt and equity securities that have readily determinable fair values. Certain investment without readily determinable fair values are measured at net asset value in accordance with the practical expedient available under ASC 321. Prior to April 1, 2019, under FASB ASC 958-325, other assets held as investments were recorded at fair value at the dates they were donated and were periodically revalued through the use of a third party appraiser or other appropriate valuation methods, including the market and income approaches. Changes in values were shown as unrealized gains or losses on the combined statement of activities. On April 1, 2019, the Foundation adopted ASU 2016-01, Financial Instruments – Overall and ASU 2018-03, Technical Corrections and Improvements to Financial Instruments – Overall and began recognizing certain non-marketable equity securities, including certain partnerships and closely held entities (that do not qualify for the net asset value practical expedient) using the measurement alternative available under this ASU. As of April 1, 2019, the Foundation adjusts the carrying value of these non-marketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any. All gains and losses on non-marketable equity securities, realized and unrealized, are recognized in the statement of activities as changes in net assets. Because the ASUs were adopted prospectively, the Foundation will recognize unrealized gains that occurred in prior periods in the first period after April 1, 2019, when there is an observable transaction. No changes were required to previously reported investments or investment income as a result of adoption.

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

- Pooled investments consist of five 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.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

**Investments (continued)** – 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.

The Foundation invests in alternative investments, which include private equity funds, private debt funds, institutional funds, and limited liability companies. 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 based on net asset value as per the practical expedient under ASC 321-10.

Investment return or loss is included in the statements of activities and consist of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

**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 2020 and 2019.

**Split interest agreements** – The Foundation has entered into several agreements for 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.



**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

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

**Split interest agreements (continued)**

*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 contributions with donor restrictions. 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 (\$11,865,155 at March 31, 2020 and \$14,115,637 at March 31, 2019) is calculated using discount rates of 1.8% and 2.41% for the years ended March 31, 2020 and 2019, respectively, and the applicable Internal Revenue Service mortality tables.

*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 (\$6,344,019 at March 31, 2020 and \$6,293,351 at March 31, 2019) is calculated using discount rates of 1.8% and 2.41% for the years ended March 31, 2020 and 2019, respectively, and the applicable Internal Revenue Service mortality tables. These split interest agreements are presented as receivables in the accompanying 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 2.41%, for the years ended March 31, 2020 and 2019, and the applicable Internal Revenue Service mortality tables. These split interest agreements are also presented as receivables in the accompanying statements of financial position.

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

**Split interest agreements (continued)**

*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-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 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. The related liabilities for these agreements are offset in the accompanying statement of financial position by a group annuity contract, which reflects the estimate of the contract's benefit.

**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 \$145,111 at March 31, 2020 and \$200,812 at March 31, 2019.

**Advertising** – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was \$86,214 and \$71,720 for 2020 and 2019, respectively.

**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. 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 financial statements as a whole.

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**(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, 2020, 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 2017, 2018, and 2019 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the 2020 returns had not yet been filed.

**Reclassifications** – Certain accounts in the prior year combined financial statements have been reclassified for comparative purposes to conform with the presentation of the current year combined financial statements.

**Subsequent events** – The Foundation has evaluated subsequent events through September 8, 2020, which is the date the combined financial statements were available to be issued.

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**(2) Liquidity**

The following table reflects the Foundation's financial assets as of March 31, 2020, and March 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, and endowments net of amounts available to spend within one year in accordance with the spending policy.

Financial Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,084,168	\$ 6,887,762
Receivables, net	33,248,020	48,043,878
Investments	<u>864,389,186</u>	<u>904,717,665</u>
Total Financial Assets	<u>901,721,374</u>	<u>959,649,305</u>
Amounts not available in the next year without restrictions:		
Loans and notes receivables after one year	(21,629,549)	(35,022,461)
Beneficial interests in split interest trusts	(6,699,442)	(6,851,690)
Investments held in trusts	(21,315,332)	(24,467,131)
Investments in real estate	(23,488,800)	(21,616,000)
Investments not convertible to cash within 12 months	<u>(156,855,613)</u>	<u>(166,814,323)</u>
Subtotal available for next year without restrictions	671,732,639	704,877,700
Not available due to restrictions:		
Agency funds held for others	(92,421,714)	(97,421,044)
Pooled investments held under charitable gift annuity agreements	(982,769)	(1,270,125)
Board Designated Endowment Funds net of Available to Spend	(259,257,600)	(287,007,217)
Net of Investments not convertible to cash within 12 months	<u>156,855,613</u>	<u>166,814,323</u>
Financial Assets available to meet cash needs for expenditures within one year	<u>\$ 475,926,169</u>	<u>\$ 485,993,637</u>

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**(3) Receivables**

For the years ended March 31, 2020 and 2019, receivables consisted of the following:

	<b>2020</b>	<b>2019</b>
Notes receivable, net	\$ 25,323,901	\$ 21,529,418
Bequests receivable	838,613	19,144,684
Beneficial interest in charitable remainder trusts	6,344,020	6,293,353
Charitable lead trusts	541,673	756,339
Other	199,813	320,084
	<b>\$ 33,248,020</b>	<b>\$ 48,043,878</b>

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 programs. The components of notes receivable are as follows:

	<b>2020</b>	<b>2019</b>
<i>Promissory notes assigned to the Foundation:</i>		
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 2.00% (2.651% at March 31, 2020); the note is due in December 2021.	\$ 1,141,401	\$ 1,741,401
Note receivable, secured by a deed of trust, receivable in monthly installments of \$15,000, including interest at 2.00%; 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. Subsequent to year end, the note was amended to include interest only payments of approximately \$4,600 through June 15, 2021. Monthly principal and interest payments of \$15,000 thereafter, with a balloon payment due May 31, 2023.	2,766,652	2,889,979

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**(3) Receivables (continued)**

	<b>2020</b>	<b>2019</b>
Note receivable, unsecured, interest only payments of \$7,083, until December 2019, and then monthly payments of \$31,568, are due including interest at 8.50%: the note is due in November 30, 2022.	-	1,000,000
Note receivable, unsecured, annual interest only payments at 7.00%: the note is due in March 2019. The terms on this note are currently being negotiated.	480,000	480,000
Note receivable, unsecured, all principal and accrued interest at 5.00%; the note is due in May 2018, the note was amended to extend the maturity date to May 2020.	25,000	25,000
Note receivable, secured by land, receivable in quarterly installments of principal and interest at 5.00% of average monthly balance; the notes is due in December 2019.	-	30,119
Note receivable, secured by common stock of Moral Compass Corporation, receivable in annual interest only payments at 2.11%; the note is due in December 2023.	2,000,000	2,000,000
Note receivable, secured by common stock of Moral Compass Corporation, receivable in annual interest only payments at 2.11%; the note is due in December 2023.	2,000,000	2,000,000
Note receivable, secured by common stock of Moral Compass Corporation, receivable in annual interest only payments at 2.11%; the note is due in December 2023.	2,000,000	2,000,000
Note receivable, secured by a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, receivable in yearly installments of principal and interest at 4.00%; the note is due in January 2035.	5,030,756	5,100,000
Note receivable, secured by a deed of trust, receivable in monthly installments of \$868.50 including interest at 4.00%; the note is due March 2022.	20,000	-

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**(3) Receivables (continued)**

	<b>2020</b>	<b>2019</b>
Note receivable, unsecured, receivable in annual interest only payments of \$150,000 at 1.21%; the note is due in July 2029.	12,368,266	-
<i>Notes Receivable - Community Impact Loan Program:</i>		
Note receivable, secured by real property, receivable in interest only payments of \$333, until May 2017, thereafter monthly installments of \$3,833, including principal and interest accruing at 4.00%; the note is due in November 2020.	30,149	73,985
Note receivable, secured by equipment, receivable in monthly installments of \$6,500, including interest at 4.28%; the note is due in December 2021.	133,281	206,591
Note receivable, unsecured, receivable in interest only payments until February 2016, thereafter monthly installments of \$9,121, including principal and interest at 4.50%; the note is due in January 2020.	-	89,361
Note receivable, unsecured, receivable in annual installments of \$50,000, including interest at 3.50%; the note is due in May 2021.	75,000	125,000
Note receivable, receivable in interest only payments until April 2021, monthly installments of \$12,694 including interest at 2.85% thereafter: the note is due in April 2023.	125,000	150,000
Note receivable, secured by real property, receivable in monthly installments of \$6,150 including interest at 4.00%; the note is due in April 2024.	318,828	344,017

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**(3) Receivables (continued)**

	<b>2020</b>	<b>2019</b>
Note receivable, secured by real property, receivable in interest only payments until March 2018, at which receivable amount is changed to monthly installments of \$2,735, including interest at 4.00%: the note is due in September 2024.	134,881	161,716
Note receivable, secured by deed of trust, receivable in monthly interest only payments of \$5,250, at 3.50%: and a balloon payment of principal due in October 2020.	600,000	600,000
Note receivable, secured by deed of trust, receivable in monthly interest only payments until May 2018, at which receivable amount is changed to monthly installments of \$2,639, including interest at 4.00%: the note is due in January 2023.	476,792	489,122
Note receivable, secured by securities at Chase, receivable in monthly installments of \$5,315, including interest at 4.00%: the note is due in July 2028.	451,575	496,321
Note receivable, unsecured, monthly payments of \$5,596, are due including interest at 4.25%: the note is due in July 2025.	324,419	376,580
Note receivable, unsecured, receivable in interest only payments until September 2020 at which receivable amount is changed to monthly payments of \$10,981 are due including interest at 3.50%; the note is due in June 2029.	1,000,000	-
Note receivable, pledged security accounts, receivable in interest only payments until September 2020 at which receivable amount is changed to monthly payments of \$6,168 including interest at 4.00%; the note is due in August 2024.	550,000	-



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**(3) Receivables (continued)**

	2020	2019
Note receivable, receivable in interest only payments until August 2020 at which receivable amount is changed to monthly payments of \$7,728 including interest at 4.00%; the note is due in August 2026.	562,500	-
Note receivable, receivable in interest only payments until October 2020 at which receivable amount is changed to monthly installments of \$3,369 including interest at 5.25%; the note is due in September 2026.	500,000	-
<i>Notes Receivable - Affordable Housing Pre-Development Loan Program:</i>		
Loan receivable, no interest, matures upon the earlier of project completion, rehabilitation and resale of 15 foreclosed houses, or September 2012. Maturity extended. This loan is past due.	75,000	75,000
Loan receivable, no interest, matures upon earlier of rehabilitation and resale of 2 foreclosed houses, or March 2012. Maturity extended.	70,000	70,000
Loan receivable, no interest, matures upon earlier of receipt of predevelopment or construction financing or December 2012. Maturity extended.	-	10,809
Loan receivable, no interest, unsecured, matures January 2020.	-	38,000
Loan receivable, no interest, unsecured, matures December 2018, the maturity date was extended to December 2020.	100,000	100,000
Loan receivable, no interest, unsecured, matures May 2019.	-	75,000

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**(3) Receivables (continued)**

	<b>2020</b>	<b>2019</b>
Loan receivable, no interest, unsecured, matures August 2019. This loan is past due.	100,000	100,000
Loan receivable, no interest, unsecured, matures November 2019.	-	75,000
Loan receivable, no interest, unsecured, matures November 2021.	75,000	75,000
Loan receivable, no interest, unsecured, matures June 2020.	75,000	75,000
Loan receivable, no interest, unsecured, matures April 2020.	9,667	31,417
Loan receivable, no interest, unsecured, matures February 2020. This loan is past due.	75,000	75,000
Loan receivable, no interest, unsecured, matures August 2020.	-	100,000
Loan receivable, no interest, unsecured, matures September 2020.	75,000	75,000
Loan receivable, no interest, unsecured, matures February 2021.	100,000	100,000
Loan receivable, no interest, unsecured, matures February 2021.	75,000	75,000
Loan receivable, no interest, unsecured, matures March 2021.	100,000	-

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**(3) Receivables (continued)**

	<b>2020</b>	<b>2019</b>
Loan receivable, no interest, unsecured, matures February 2021.	75,000	-
Notes receivables before discount and allowance	\$ 34,119,167	\$ 21,529,418
Less: Discount on notes receivable	(8,595,266)	-
Less: Allowance on notes receivable	(200,000)	-
Total notes receivables	<b>\$ 25,323,901</b>	<b>\$ 21,529,418</b>

Scheduled collections on notes receivable at March 31, 2020 are as follows:

**Years Ending March 31,**

2021	\$ 3,528,300
2022	1,543,662
2023	7,395,425
2024	3,290,431
2025	1,038,518
Thereafter	17,322,831
Total	<b>\$ 34,119,167</b>

Five notes receivable comprised 69% of the total receivables as of March 31, 2020. Five notes receivable comprised 65% of the total receivables as of March 31, 2019. 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 \$64,768 and \$91,984 for 2020 and 2019, respectively.

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.

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**(3) Receivables (continued)**

*Bequests Receivable*

For the year ended March 31, 2020, bequests receivable included two bequests, of which one accounted for 84% of the balance. For the year ended March 31, 2019, bequests receivable included bequests from one donor that accounted for 88% of the balance.

*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. During the year ended March 31, 2020, the Foundation recorded a discount of approximately \$8,600,000 and an allowance for uncollectible notes receivable of \$200,000. The Foundation considered receivables to be fully collectible at March 31, 2019.

**(4) Investments**

Investments consist of:

	2020	2019
Pooled investments	\$ 497,307,150	\$ 515,147,343
Brokered investments	307,137,143	324,451,756
Assets held under charitable remainder trusts	22,873,223	26,197,253
Partnerships and other closely-held equity	11,278,346	14,523,978
Real estate	23,488,800	21,616,000
Group annuity contract	843,822	939,211
Cash surrender value of life insurance	489,629	493,883
Beneficial interest in life estate	-	220,000
Other investments	971,073	1,128,241
	\$ 864,389,186	\$ 904,717,665

The pooled investments include \$982,769 and \$1,270,125 as of March 31, 2020 and 2019, respectively, of assets held to satisfy charitable gift annuities.

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**(4) Investments (continued)**

Pooled investments are comprised of the following:

	<b>2020</b>		
	<b>Not Categorized</b>	<b>Level 1</b>	<b>Total</b>
Cash and cash equivalents	\$ 65,993,737	\$ -	\$ 65,993,737
Equities mutual funds:			
Small/mid cap funds	-	15,399,841	15,399,841
International funds	-	40,424,571	40,424,571
Equity index funds	-	72,638,219	72,638,219
Emerging markets funds	-	11,592,895	11,592,895
Fixed income funds:			
Bond funds	-	21,830,446	21,830,446
U.S. treasuries and agency securities	-	116,629	116,629
Private equity and hedge funds	140,168,067	-	140,168,067
Comingled trust funds	129,142,745	-	129,142,745
Total	<u>\$ 335,304,549</u>	<u>\$ 162,002,601</u>	<u>\$ 497,307,150</u>
	<b>2019</b>		
	<b>Not Categorized</b>	<b>Level 1</b>	<b>Total</b>
Cash and cash equivalents	\$ 38,524,710	\$ -	\$ 38,524,710
Equities mutual funds:			
Small/mid cap funds	-	17,856,305	17,856,305
International funds	-	42,096,794	42,096,794
Equity index funds	-	75,035,482	75,035,482
Emerging markets funds	-	12,684,031	12,684,031
Fixed income funds:			
Bond funds	-	26,263,132	26,263,132
U.S. treasuries and agency securities	-	6,360,172	6,360,172
Private equity and hedge funds	147,089,072	-	147,089,072
Comingled trust funds	149,237,645	-	149,237,645
Total	<u>\$ 334,851,427</u>	<u>\$ 180,295,916</u>	<u>\$ 515,147,343</u>

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**(4) Investments (continued)**

Brokered investments are held in 109 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:

	<b>2020</b>			
	<b>Not Categorized</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 19,805,633	\$ -	\$ -	\$ 19,805,633
Equities and equities mutual funds:				
Equity Index Funds	-	30,857,699	-	30,857,699
International Equities fund	-	19,759,942	-	19,759,942
Real Estate Funds	-	2,801,615	-	2,801,615
Other Mutual funds and Exchange Traded Funds	-	86,014,898	-	86,014,898
Domestic equities	-	68,340,993	-	68,340,993
International Equities	-	1,634,765	-	1,634,765
Fixed income and fixed income funds:				
Bond mutual funds	-	49,287,792	-	49,287,792
Corporate Bonds	-	-	7,862,890	7,862,890
Government Bond Funds	-	17,564,718	-	17,564,718
Alternative Investments:				
Private equity and hedge funds	3,206,198	-	-	3,206,198
<b>Total</b>	<b>\$ 23,011,831</b>	<b>\$ 276,262,422</b>	<b>\$ 7,862,890</b>	<b>\$ 307,137,143</b>

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**(4) Investments (continued)**

	2019			
	Not Categorized	Level 1	Level 2	Total
Cash and Cash Equivalents	\$ 13,612,121	\$ -	\$ -	\$ 13,612,121
Equities and equities mutual funds:				
Equity Index Funds	-	36,935,848	-	36,935,848
International Equities fund	-	24,653,090	-	24,653,090
Real Estate Funds	-	1,464,042	-	1,464,042
Other Mutual funds and Exchange Traded Funds	-	100,751,192	-	100,751,192
Domestic equities	-	73,547,025	-	73,547,025
International Equities	-	5,309,924	-	5,309,924
Fixed income and fixed income funds:				
Bond mutual funds	-	22,276,767	-	22,276,767
Corporate Bonds	-	-	27,619,860	27,619,860
Government Bond Funds	-	14,733,708	-	14,733,708
Alternative Investments:				
Private equity and hedge funds	3,548,179	-	-	3,548,179
<b>Total</b>	<b>\$ 17,160,300</b>	<b>\$ 279,671,596</b>	<b>\$ 27,619,860</b>	<b>\$ 324,451,756</b>

Other investments are categorized as follows:

	2020		
	Value of Investment	Valuation Method	Fair Value Level
Assets held under charitable remainder trusts			
Cash and cash equivalents	\$ 1,499,135	Fair Value	NA
Government securities	3,572,162	Fair Value	1
Equity mutual funds	5,844,402	Fair Value	1
Fixed income mutual funds	1,474,984	Fair Value	1
Corporate bonds	2,342,980	Fair Value	2
Domestic equities	8,139,560	Fair Value	1
Partnerships			
Partnerships	4,287,697	Net Asset Value	NA
Real estate partnerships	3,478,141	Equity Method	NA
Partnerships and other closely-held equity	3,512,508	Measurement Alternative	NA
Real estate	23,488,800	Fair Value	3
Group annuity contract	843,822	Fair Value	3
Cash surrender value of life insurance	489,629	Fair Value	3
Other investments	971,073	Fair Value	3
	<b>\$ 59,944,893</b>		

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**(4) Investments (continued)**

	2019		
	Value of Investment	Valuation Method	Fair Value Level
Assets held under charitable remainder trusts			
Cash and cash equivalents	\$ 1,509,140	Fair Value	NA
Government securities	3,818,170	Fair Value	1
Equity mutual funds	6,550,484	Fair Value	1
Fixed income mutual funds	25,727	Fair Value	1
Corporate bonds	3,258,446	Fair Value	2
Domestic equities	11,035,286	Fair Value	1
Partnerships			
Partnerships	6,320,177	Net Asset Value	NA
Real estate partnerships	3,478,146	Equity Method	NA
Partnerships and other closely-held equity	4,725,655	Measurement Alternative	NA
Real estate	21,616,000	Fair Value	3
Group annuity contract	939,211	Fair Value	3
Cash surrender value of life insurance	493,883	Fair Value	3
Beneficial interest in life estate	220,000	Fair Value	3
Other investments	1,128,241	Fair Value	3
	<u>\$ 65,118,566</u>		

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, 2020:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Fund of Funds	\$ 10,635,337	\$ 3,826,297	n/a	n/a
Private Equity	24,922,415	30,583,572	n/a	n/a
Private Debt Fund	64,800,960	34,713,242	n/a	n/a
Multi-strategy Funds	44,490,327	-	monthly	30 to 60 day notice
Private Real Estate Funds	2,812,922	1,840,000	n/a	n/a
Commingled Trust Fund 1	33,227,498	-	daily	2 day notice
Commingled Trust Fund 2	51,136,535	-	daily	1 day notice
Commingled Trust Fund 3	44,778,711	-	daily	1 day notice
Total	<u>\$ 276,804,705</u>	<u>\$ 70,963,111</u>		



**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(4) Investments (continued)**

The following table summarizes the nature and risk of these investments as of March 31, 2019:

	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Private Equity Fund of Funds	\$ 15,457,368	\$ 7,263,447	n/a	n/a
Private Equity	23,815,006	16,814,816	n/a	n/a
Private Debt Fund	47,265,079	38,071,145	n/a	n/a
Multi-strategy Funds	66,584,275	-	monthly	30 to 60 day notice
Private Real Estate Funds	3,576,942	1,840,000	n/a	n/a
Commingled Trust Fund 1	34,384,656	-	daily	2 day notice
Commingled Trust Fund 2	58,633,838	-	daily	1 day notice
Commingled Trust Fund 3	56,219,151	-	daily	1 day notice
Total	<u>\$ 305,936,315</u>	<u>\$ 63,989,408</u>		

**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 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.

**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.

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

**Multi-strategy 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.

**Comingled Trust Fund 1** – This fund invests in equity securities that are found in the FTSE RAFI 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 U.S. 1000 Index over the long term.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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Years Ended March 31, 2020 and 2019

**(4) Investments (continued)**

**Comingled Trust Fund 2** – This fund invests primarily in publicly traded non-US equity 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, either directly or indirectly through other commingled investment vehicles, in investment-grade debt and fixed income securities. The funds are expected to invest at least 70% of its total net assets. The investment objective of the fund is to maximize long-term total returns.

**(5) Present value of annuity payments**

The liability for annuity payments due under charitable remainder trusts and charitable gift annuities is valued using present value techniques, and includes the following activity for the years ended March 31, 2020 and 2019:

	Charitable Remainder Trusts	Charitable Gift Trusts	Total
Balance at March 31, 2018	\$ 14,467,781	\$ 1,340,524	\$ 15,808,305
New gifts	213,870	64,255	278,125
Annuity payments	(1,730,125)	(91,098)	(1,821,223)
Revaluation of liability	1,164,111	-	1,164,111
Balance at March 31, 2019	14,115,637	1,313,681	15,429,318
New gifts	150,204	145,561	295,765
Annuity payments	(1,557,892)	(390,582)	(1,948,474)
Revaluation of liability	(842,794)	-	(842,794)
Balance at March 31, 2020	<u>\$ 11,865,155</u>	<u>\$ 1,068,660</u>	<u>\$ 12,933,815</u>

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(6) Property and equipment**

Property and equipment consists of:

	2020	2019
Cost:		
Furniture, fixtures and equipment	\$ 1,532,114	\$ 1,275,518
Leasehold improvements	513,709	187,762
Art objects	29,257	29,257
Projects in process	132,500	-
Total cost	2,207,580	1,492,537
Accumulated depreciation and amortization	(1,059,448)	(933,295)
 Net property and equipment	 \$ 1,148,132	 \$ 559,242

Depreciation and amortization expense charged to operations was \$186,798 for 2020 and \$381,284 for 2019.

**(7) 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 evaluated for discounting using current rates. The discount has been deemed to not be material. The following is a summary of grants authorized and payable at March 31:

	2020	2019
Grants payable to be paid in less than one year	\$ 4,461,993	\$ 4,757,049
Grants payable to be paid in one to five years	2,782,000	3,583,301
 Net grants authorized but unpaid	 \$ 7,243,993	 \$ 8,340,350

**(8) Agency 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 funds.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(8) Agency funds (continued)**

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 liability is classified as a Level 2 fair value instrument.

The activity for the agency funds is summarized as follows:

	2020	2019
Agency funds, beginning of year	\$ 97,421,044	\$ 95,322,043
Contributions and additions	7,784,641	13,375,060
Investment income	1,726,493	1,475,850
Realized and unrealized investment gains (losses)	(4,845,565)	118,927
Withdrawal of funds	(8,905,100)	(12,189,107)
Administration and investment fees	(759,799)	(681,729)
	\$ 92,421,714	\$ 97,421,044

**(9) Net assets with donor restrictions**

Net assets with donor restrictions consist of:

	2020	2019
Time restricted:		
Charitable remainder trusts	\$ 11,551,182	\$ 12,197,231
Beneficial interest in charitable remainder trusts	6,344,020	6,293,353
Charitable lead trusts	541,673	756,339
Beneficial interest in life estate	-	220,000
	\$ 18,436,875	\$ 19,466,923

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(9) Net assets with donor restrictions (continued)**

Charitable remainder trusts are presented net of present value of annuity payments related to charitable remainder trusts and beneficial interest in charitable remainder trusts are considered restricted 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.

**(10) Endowments**

The Foundation's endowments consist of approximately 800 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 net assets with donor restrictions due to timing restrictions are classified as net assets without donor restrictions. Though these funds are classified as net assets without donor restrictions, 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.

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, 2020, the Foundation had no donor-restricted endowment funds, other than those reported as 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.



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Years Ended March 31, 2020 and 2019

**(10) Endowments (continued)**

The change in endowment net assets for the year ended March 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, April 1, 2019	\$ 299,651,719	\$ 12,197,231	\$ 311,848,950
Contributions	6,963,535	144,928	7,108,463
Investment return	(17,651,047)	-	(17,651,047)
Change in value of charitable remainder trusts	(16,977)	(616,095)	(633,072)
Appropriation of endowment assets for expenditure	(16,598,430)	(174,882)	(16,773,312)
Endowment net assets, March 31, 2020	<u>\$ 272,348,800</u>	<u>\$ 11,551,182</u>	<u>\$ 283,899,982</u>

The endowment net assets composition by type of fund as of March 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 12,197,231	\$ 12,197,231
Board-designated endowment funds	299,651,719	-	299,651,719
Total funds	<u>\$ 299,651,719</u>	<u>\$ 12,197,231</u>	<u>\$ 311,848,950</u>

The change in endowment net assets for the year ended March 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, April 1, 2018	\$ 299,082,972	\$ 11,938,299	\$ 311,021,271
Contributions	9,728,388	78,578	9,806,966
Investment return	9,415,208	-	9,415,208
Change in value of charitable remainder trusts	52,519	180,354	232,873
Appropriation of endowment assets for expenditure	(18,627,368)	-	(18,627,368)
Endowment net assets, March 31, 2019	<u>\$ 299,651,719</u>	<u>\$ 12,197,231</u>	<u>\$ 311,848,950</u>

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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Years Ended March 31, 2020 and 2019

**(11) Leases**

The Foundation leases office equipment and office space under operating lease agreements with terms expiring in various years through 2027. 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. In December 2018, the Foundation amended a lease agreement to lease additional space through May 2027, requiring monthly lease payments ranging from \$0 to \$76,063. The table below includes the minimum payments on this expanded lease. Minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year are as follows:

<u>Years Ending March 31,</u>	
2021	\$ 796,957
2022	811,690
2023	945,958
2024	926,250
2025	932,653
Thereafter	<u>2,012,412</u>
Total minimum future rental payments	<u>\$ 6,425,920</u>

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 \$867,001 for 2020 and \$858,265 for 2019.

**(12) 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. ACF contributed 0% of the eligible employees’ annual compensation for the employee’s first year, and 6% contribution for all subsequent years. ACF made contributions to the plan of \$358,910 for 2020 and \$351,500 for 2019.

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 2020 and 2019.

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. For the years ended March 31, 2020 and 2020, the Ellis Center made no contributions.



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Years Ended March 31, 2020 and 2019

**(12) Retirements plans (continued)**

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 \$50,887 for 2020, and \$36,742 for 2019. The plan also includes a provision for Rodel to make discretionary contributions to the plan. There were no discretionary contributions made during 2020 and 2019.

**(13) 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, 2020:

	Receivables from charitable lead trusts, and beneficial interest in trusts	Real estate held for investment	Investments in cash surrender value of life insurance, group annuity contract, and other Level 3	Total
Balance at April 1, 2019	\$ 7,049,692	\$ 21,616,000	\$ 2,781,335	\$ 31,447,027
Change in value of split- interest agreements	(423,259)	-	-	(423,259)
Purchases and contributions	259,260	6,414,800	943,168	7,617,228
Sales	-	(3,448,493)	(1,516,145)	(4,964,638)
Realized / unrealized gains / (losses)	-	(1,093,507)	96,166	(997,341)
Balance at March 31, 2020	<u>\$ 6,885,693</u>	<u>\$ 23,488,800</u>	<u>\$ 2,304,524</u>	<u>\$ 32,679,017</u>

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(13) 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, 2019:

	Receivables from charitable lead trusts, and beneficial interest in trusts	Real estate held for investment	Investments in cash surrender value of life insurance, beneficial interest in life estate, group annuity contract, and other Level 3	Total
Balance at April 1, 2018	\$ 6,621,121	\$ 27,389,763	\$ 2,817,224	\$ 36,828,108
Change in value of split- interest agreements	(115,174)	-	-	(115,174)
Purchases and contributions	543,745	-	-	543,745
Sales	-	(3,646,183)	-	(3,646,183)
Realized / unrealized gains / (losses)	-	(2,127,580)	(35,889)	(2,163,469)
Balance at March 31, 2019	<u>\$ 7,049,692</u>	<u>\$ 21,616,000</u>	<u>\$ 2,781,335</u>	<u>\$ 31,447,027</u>

**(14) Programmic 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 \$2,675,000 as of March 31, 2020. Proceeds from the line of credit are expressly restricted to provide financing loans to nonprofit community-based organizations in Arizona.

**(15) Line of credit and notes payable**

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 \$2,600,000 and matures December 30, 2020. Upon maturity, all unpaid interest and principal are due. Interest is charged at LIBOR plus 2.5% (2.651% as of March 31, 2020) and payable monthly. As of March 31, 2020 and 2019, there were no amounts outstanding under the line of credit. There are certain financial and non-financial covenants required by the bank.

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

Years Ended March 31, 2020 and 2019

**(15) Line of credit and notes payable (continued)**

Effective November 2019, the Foundation entered into a note payable with an interest rate of 4.5%, monthly payments of \$9,133, and a maturity date of November 2023. The Foundation made the first payment in March 2020. The outstanding balance on the note payable as of March 31, 2020 is \$369,064.

**(16) Subsequent events**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Foundation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Subsequent to year-end, the Foundation received loan proceeds in the amount of \$1,095,512 under the Paycheck Protection Program (PPP) authorized under section 7(a) of the Small Business Act as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the loan date of the qualifying business. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent, and utilities. The amount of the loan forgiveness will be reduced if the borrower reduces the number of employees or reduces salaries by more than 25% during the twenty-four week period beginning on the loan origination date. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

**(17) New accounting pronouncements**

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the required adoption of this standard is expected to be delayed to annual reporting periods beginning after December 15, 2021. The standard’s core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

## **ADDITIONAL INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Board of Directors of  
**THE ARIZONA COMMUNITY FOUNDATION, INC.**  
**and SUPPORT FOUNDATIONS**  
Phoenix, Arizona

We have audited the combined financial statements of **Arizona Community Foundation, Inc. and Support Foundations** as of and for the year ended March 31, 2020, and have issued our report thereon dated September 8, 2020 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 31 and 32 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.

*Henry + Horne, LLP*

Tempe, Arizona  
September 8, 2020

**THE ARIZONA COMMUNITY FOUNDATION, INC.  
AND  
SUPPORT FOUNDATIONS  
ADDITIONAL INFORMATION  
COMBINING SCHEDULE OF FINANCIAL POSITION  
March 31, 2020**

**ASSETS**

	<b>Arizona Community Foundation</b>	<b>Support Foundations</b>	<b>Eliminations and Reclassifications</b>	<b>Combined</b>
CASH AND CASH EQUIVALENTS	\$ 4,435,930	\$ (351,762)	\$ -	\$ 4,084,168
PREPAID EXPENSES AND OTHER ASSETS	183,001	30,812	-	213,813
RECEIVABLES, net	23,087,334	10,160,686	-	33,248,020
INVESTMENTS	680,082,515	184,306,671	-	864,389,186
PROPERTY AND EQUIPMENT, net	1,147,302	830	-	1,148,132
TOTAL ASSETS	<u>\$ 708,936,082</u>	<u>\$ 194,147,237</u>	<u>\$ -</u>	<u>\$ 903,083,319</u>

**LIABILITIES AND NET ASSETS**

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 434,119	\$ 304,617	\$ -	\$ 738,736
GRANTS PAYABLE	5,377,149	1,866,844	-	7,243,993
PRESENT VALUE OF ANNUITY PAYMENTS	12,933,815	-	-	12,933,815
DEFERRED RENT	145,111	-	-	145,111
PROGRAMMATIC REVOLVING LOANS	3,044,064	-	-	3,044,064
AGENCY FUNDS	92,421,714	-	-	92,421,714
TOTAL LIABILITIES	114,355,972	2,171,461	-	116,527,433
NET ASSETS	594,580,110	191,975,776	-	786,555,886
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 708,936,082</u>	<u>\$ 194,147,237</u>	<u>\$ -</u>	<u>\$ 903,083,319</u>

**THE ARIZONA COMMUNITY FOUNDATION, INC.**  
**AND**  
**SUPPORT FOUNDATIONS**  
**ADDITIONAL INFORMATION**  
**COMBINING SCHEDULE OF ACTIVITIES**  
Year Ended March 31, 2020

	<b>Arizona Community Foundation</b>	<b>Support Foundations</b>	<b>Eliminations and Reclassifications</b>	<b>Combined</b>
<b>CONTRIBUTIONS, REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 74,930,974	\$ 846,987	\$ -	\$ 75,777,961
Investment income	(42,263,518)	(8,274,102)	94,835	(50,442,785)
Interest from notes receivables	392,759	366,476	-	759,235
Change in split interest agreements	(853,102)	-	-	(853,102)
Administrative and trustee fee revenues	2,839,056	-	(1,761,925)	1,077,131
Interfund gifts	8,855,528	20,000	(6,189,103)	2,686,425
Rental income	331,615	555,423	(96,483)	790,555
Other income	97,344	3,192	-	100,536
<b>TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT</b>	<b>44,330,656</b>	<b>(6,482,024)</b>	<b>(7,952,676)</b>	<b>29,895,956</b>
<b>EXPENSES</b>				
Program expenses:				
Grants and scholarships	51,639,880	9,308,969	-	60,948,849
Interfund grants	985,538	6,169,103	(6,189,103)	965,538
Other program expenses	9,721,443	2,597,896	(1,716,771)	10,602,568
Total program expenses	62,346,861	18,075,968	(7,905,874)	72,516,955
Management and general	3,604,484	653,414	(27,234)	4,230,664
Fundraising	3,257,645	279,872	(19,568)	3,517,949
<b>TOTAL EXPENSES</b>	<b>69,208,990</b>	<b>19,009,254</b>	<b>(7,952,676)</b>	<b>80,265,568</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (24,878,334)</b>	<b>\$ (25,491,278)</b>	<b>\$ -</b>	<b>\$ (50,369,612)</b>