

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

COMBINED FINANCIAL STATEMENTS

Year Ended March 31, 2021

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

COMBINED FINANCIAL STATEMENTS

Year Ended March 31, 2021

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
COMBINED FINANCIAL STATEMENTS	
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5 - 6
Combined Statement of Cash Flows	7
Notes to the Combined Financial Statements	8 - 43
ADDITIONAL INFORMATION	
Independent Auditors' Report on Additional Information	45
Combining Schedule of Financial Position	46
Combining Schedule of Activities	47

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, 2021 and 2020, 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, 2021 and 2020, 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
October 12, 2021

**THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS
COMBINED STATEMENTS OF FINANCIAL POSITION**
March 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CASH AND CASH EQUIVALENTS	\$ 4,981,316	\$ 4,084,168
PREPAID EXPENSES AND OTHER ASSETS	431,934	213,813
RECEIVABLES, net	34,847,434	33,248,020
INVESTMENTS	1,114,242,415	864,389,186
PROPERTY AND EQUIPMENT, net	1,140,861	1,148,132
TOTAL ASSETS	\$ 1,155,643,960	\$ 903,083,319
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 932,470	\$ 738,736
GRANTS PAYABLE	9,648,658	7,243,993
PRESENT VALUE OF ANNUITY PAYMENTS		
Charitable remainder trusts	14,968,712	11,865,155
Charitable gift annuities	1,621,854	1,068,660
TOTAL PRESENT VALUE OF ANNUITY PAYMENTS	16,590,566	12,933,815
RENT ACCRUED UNDER NON-LEVEL LEASES	67,893	145,111
PROGRAMMATIC REVOLVING LOANS	2,574,775	3,044,064
AGENCY FUNDS AND FUNDS HELD FOR OTHERS	128,273,611	92,421,714
TOTAL LIABILITIES	158,087,973	116,527,433
NET ASSETS		
Without donor restrictions	973,938,863	768,119,011
With donor restrictions	23,617,124	18,436,875
TOTAL NET ASSETS	997,555,987	786,555,886
TOTAL LIABILITIES AND NET ASSETS	\$ 1,155,643,960	\$ 903,083,319

**THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS
COMBINED STATEMENTS OF ACTIVITIES**
Year Ended March 31, 2021
(with comparative totals for the year ended March 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	\$ 72,906,359	\$ -	\$ 72,906,359	\$ 78,464,386
Investment income (loss)	231,102,273	-	231,102,273	(50,442,785)
Interest from notes receivables	650,879	-	650,879	759,235
Change in split interest agreements	-	5,916,553	5,916,553	(853,102)
Administrative and trustee fee revenues	3,634,719	-	3,634,719	1,077,131
Rental income	689,117	-	689,117	790,555
Other income (charges)	1,519,070	-	1,519,070	100,536
Total contributions, revenues and other support before net assets released from restrictions	310,502,417	5,916,553	316,418,970	29,895,956
Net assets released from restrictions:				
Charitable trusts	736,304	(736,304)	-	-
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	311,238,721	5,180,249	316,418,970	29,895,956
EXPENSES				
Program expenses:				
Grants and scholarships	88,477,712	-	88,477,712	61,914,387
Other program expenses	10,296,364	-	10,296,364	10,602,568
Total program expenses	98,774,076	-	98,774,076	72,516,955
Management and general	4,038,926	-	4,038,926	4,230,664
Fundraising	2,605,867	-	2,605,867	3,517,949
TOTAL EXPENSES	105,418,869	-	105,418,869	80,265,568
CHANGE IN NET ASSETS	205,819,852	5,180,249	211,000,101	(50,369,612)
NET ASSETS, BEGINNING OF YEAR	768,119,011	18,436,875	786,555,886	836,925,498
NET ASSETS, END OF YEAR	\$ 973,938,863	\$ 23,617,124	\$ 997,555,987	\$ 786,555,886

**THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants & Scholarships	\$ 88,477,712	\$ -	\$ -	\$ 88,477,712
Salaries & Wages	3,600,886	1,938,939	1,384,956	6,924,781
Retirement Plan Contributions	209,105	112,595	80,425	402,125
Other Employee Benefits	321,492	173,111	123,651	618,254
Payroll Taxes	241,008	129,773	92,695	463,476
Advertising and Promotion	273,831	39,383	60,224	373,438
Depreciation	135,364	72,888	52,063	260,315
Dues, Subscriptions & Publications	106,136	57,150	40,822	204,108
Event Expenses	17,594	-	58,436	76,030
General Program Expenses	480,274	-	-	480,274
Information Technology	439,018	236,394	168,853	844,265
Insurance	59,818	32,210	23,007	115,035
Interest	138,429	-	-	138,429
Occupancy	434,043	233,715	166,939	834,697
Office Expenses	151,710	72,187	58,350	282,247
Other Expenses	61,345	397,803	93,914	553,062
Professional Services	3,607,600	532,703	194,335	4,334,638
Travel	18,711	10,075	7,197	35,983
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 98,774,076</u>	<u>\$ 4,038,926</u>	<u>\$ 2,605,867</u>	<u>\$ 105,418,869</u>

**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
	<u>258,071</u>	<u>141,468</u>	<u>101,652</u>	<u>501,191</u>
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 STATEMENTS OF CASH FLOWS
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 211,000,101	\$ (50,369,612)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Donated investments	(16,635,469)	(12,489,906)
Realized/unrealized investment (gains) losses	(226,174,744)	68,896,944
Debt forgiveness	(1,138,062)	-
Change in split interest agreements and present value of annuity payments, net	3,656,751	(2,495,503)
Provision of uncollectible notes receivable	-	200,000
Change in discount on notes receivable	-	8,595,266
Depreciation and amortization	260,316	186,798
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(3,297,904)	17,822,357
Prepaid expenses and other assets	(218,121)	137,604
Increase (decrease) in:		
Accounts payable and accrued expenses	193,734	(279,206)
Grants payable	2,404,665	(1,096,357)
Deferred rent	(77,218)	(55,701)
Agency funds	13,986,145	(153,765)
Net cash provided by (used in) operating activities	<u>(16,039,806)</u>	<u>28,898,919</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	294,147,395	23,276,152
Collections on notes receivable	4,293,498	3,554,528
Purchases of investments	(263,533,401)	(26,191,514)
Interest and dividends reinvested	(15,791,258)	(18,008,762)
Issuance of notes receivable	(2,595,008)	(15,376,293)
Purchases of property and equipment	<u>(253,045)</u>	<u>(775,688)</u>
Net cash provided by (used in) investing activities	16,268,181	(33,521,577)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on programmatic revolving loans	62,500	3,700,000
Payment on programmatic revolving loans	(212,500)	(2,250,000)
Borrowings on short-term debt	1,187,837	-
Borrowings on long-term debt	-	400,000
Payments on long-term debt	<u>(369,064)</u>	<u>(30,936)</u>
Net cash provided by (used in) financing activities	668,773	1,819,064
NET CHANGE IN CASH AND CASH EQUIVALENTS	897,148	(2,803,594)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,084,168</u>	<u>6,887,762</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,981,316</u>	<u>\$ 4,084,168</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Realized/unrealized gains (losses) on agency fund investments	<u>\$ 21,865,752</u>	<u>\$ (4,845,565)</u>
Donated art objects	<u>\$ 2,550,000</u>	<u>\$ -</u>
Donated real estate investments	<u>\$ 14,085,469</u>	<u>\$ 12,489,906</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(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, 2021 and 2020

(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.

During the fiscal year ended March 31, 2021, the Armstrong Family Foundation, Ingebritson Family Foundation and Jane Stark Boyd and Alexander Boyd AZ Charitable Foundation dissolved operations.

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"). 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, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

Contributions –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. One donor comprised 15% of total contributions for the year ended March 31, 2021. Three donors comprised 20% of total contributions for the year ended March 31, 2020.

The Foundation applies the provisions of 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*, in determining when contributions received and contributions made should be classified as contributions or as exchange transactions, or whether conditionality is present.

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 contributions with donor restrictions. The Foundation records donations of property and equipment that are not restricted as to their use by the donor as contributions without donor restrictions.

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, 2020.

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.
AND
SUPPORT FOUNDATIONS**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(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 fair value using 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

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

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.

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 investments without readily determinable fair values are measured at net asset value in accordance with the practical expedient available under ASC 321. 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 values are shown as unrealized gains or losses on the combined statement of activities. Certain non-marketable equity securities, including certain partnerships and closely held entities (that do not qualify for the net asset value practical expedient) are valued using the measurement alternative available under ASC 958-321. 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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

Investments (Continued) - 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.

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

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 the years ended March 31, 2021 and 2020.

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.

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 (\$14,968,712 at March 31, 2021 and \$11,865,155 at March 31, 2020) is calculated using discount rates of 2.0% and 1.8% for the years ended March 31, 2021 and 2020, respectively, and the applicable Internal Revenue Service mortality tables.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

Split interest agreements (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 (\$8,288,086 at March 31, 2021 and \$6,344,020 at March 31, 2020) is calculated using discount rates of 2.0% and 1.8% for the years ended March 31, 2021 and 2020, 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, 2021 and 2020, and the applicable Internal Revenue Service mortality tables. These split interest agreements are also presented as receivables in the accompanying statements of financial position.

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

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 \$67,893 at March 31, 2021 and \$145,111 at March 31, 2020.

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was \$27,868 and \$86,214 for the years ending March 31, 2021 and 2020, 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.

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. Certain employee positions are allocated based on time and effort. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on personnel activity, including depreciation, occupancy and office expenses, 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 ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(1) Foundations' Operations and Summary of Significant Accounting Policies (Continued)

Income tax status (Continued) - 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, 2021 and 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 2018, 2019, and 2020 are subject to examination by the IRS, generally for the three years after they were filed. As of the date of this report, the 2021 returns had not yet been filed.

Subsequent events – The Foundation has evaluated subsequent events through October 12, 2021, which is the date the combined financial statements were available to be issued.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(2) Liquidity

The following table reflects the Foundation's financial assets as of March 31, 2021 and 2020, 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.

Cash and cash equivalents	\$ 4,981,316	\$ 4,084,168
Receivables, net	34,847,434	33,248,020
Investments	<u>1,114,242,415</u>	<u>864,389,186</u>
Total financial assets	1,154,071,165	901,721,374
Amounts not available in the next year without restrictions:		
Loans, notes and bequest receivables after one year	(22,859,994)	(21,629,549)
Beneficial interests in split interest trusts	(8,591,559)	(6,699,442)
Investments held in trusts	(27,366,991)	(21,315,332)
Investments in real estate	(27,022,100)	(23,488,800)
Investments not convertible to cash within 12 months	<u>(138,174,294)</u>	<u>(156,855,613)</u>
Subtotal available for next year without restrictions	930,056,226	671,732,639
Not available due to restrictions:		
Agency funds held for others	(126,718,161)	(92,421,714)
Pooled investments held under charitable gift annuity agreements	(2,277,465)	(982,769)
Board designated endowment funds net of available to spend	(329,676,595)	(259,257,600)
Net of investments not convertible to cash within 12 months	<u>138,174,294</u>	<u>156,855,613</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 609,558,299</u>	<u>\$ 475,926,169</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables

For the years ended March 31, 2021 and 2020, receivables consisted of the following:

	<u>2021</u>	<u>2020</u>
Notes receivable, net	\$ 23,625,412	\$ 25,323,901
Bequests receivable	2,138,552	838,613
Beneficial interest in charitable remainder trusts	8,288,086	6,344,020
Charitable lead trusts	497,502	541,673
Other	<u>297,882</u>	<u>199,813</u>
	<u>\$ 34,847,434</u>	<u>\$ 33,248,020</u>

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:

Promissory notes assigned to the Foundation:

	<u>2021</u>	<u>2020</u>
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% (2.282% at March 31, 2021); the note is due in December 2021.	\$ 541,401	\$ 1,141,401

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. In June 2020, the note was amended to include interest only payments of approximately \$4,600 through May 15, 2021. Monthly principal and interest payments of \$15,000 thereafter, with a balloon payment due May 31, 2023.	2,745,857	2,766,652
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------	-----------

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

	2021	2020
Note receivable, unsecured, annual interest only payments at 7.00%: the note is due in March 2019. The note was paid in full in October 2020.	-	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 2022.	25,000	25,000
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 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%; a one year payment deferral was granted on the note in December 2020; the note is due in January 2035.	5,030,756	5,030,756
Note receivable, secured by a deed of trust, receivable in monthly installments of approximately \$869 including interest at 4.00%: the note is due March 2022.	9,927	20,000
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	12,368,266

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

	2021	2020
Note receivable, secured by deed of trust , receivable in semi-annual interest only payments of approximately \$7,700: The note is due in February 2027.	100,000	-
<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 was deferred six months and is due in May 2021.	7,565	30,149
Note receivable, secured by equipment, receivable in monthly installments of \$6,500, including interest at 4.28%: the note is due in December 2021.	58,351	133,281
Note receivable, unsecured, receivable in annual installments of \$50,000, including interest at 3.50%: the note is due in May 2021. The note was paid in full in June 2020.	-	75,000
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.	116,000	125,000
Note receivable, secured by real property, receivable in monthly installments of \$6,150 including interest at 4.00%: payment deferral granted from September 2019 through December 2020: the note is due in April 2024.	318,828	318,828

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

	2021	2020
<p>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%: payment deferral granted from April 2020 through September 2020: the note is due in March 2025.</p>	121,057	134,881
<p>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: the notes was paid in full in November 2020.</p>	-	600,000
<p>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%: payment deferral granted from April 2020 through September 2020: the note is due in July 2023.</p>	470,440	476,792
<p>Note receivable, secured by securities at Chase, receivable in monthly installments of \$5,315, including interest at 4.00%: payment deferral granted from April 2020 through December 2020: the note is due in July 2028.</p>	440,107	451,575
<p>Note receivable, unsecured, monthly payments of \$5,596, are due including interest at 4.25%: the note is due in July 2025.</p>	228,350	324,419
<p>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%; payment deferral granted from April 2020 through September 2020: the note is due in December 2020.</p>	991,936	1,000,000

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

	2021	2020
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: the note was paid in full in February 2021	-	550,000
Note receivable, receivable in interest only payments until January 2021 at which receivable amount is changed to monthly payments of \$7,728 including interest at 4.00%; payment deferral granted from April 2020 through September 2020: the note is due in February 2027.	358,575	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: the note was paid in full in September 2020.	-	500,000
Note receivable, unsecured, monthly payments of \$4,098 are due including interest at 4.25%; the note is due in August 2030.	380,262	-
Note receivable, unsecured, all principal and accrued interest at 4.00% matures upon the earlier of borrower obtaining other financing, or February 2022.	228,000	-
Note receivable, unsecured, all principal and accrued interest at 3.50% matures upon the earlier of borrower obtaining other financing, or December 2021.	660,000	-

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

	2021	2020
<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. This loan is past due.	70,000	70,000
Loan receivable, no interest, unsecured, matures December 2018, the maturity date was extended to December 2021.	100,000	100,000
Loan receivable, no interest, unsecured, matures August 2019: the note was paid in full in December 2020.	-	100,000
Loan receivable, no interest, unsecured, matures November 2021.	75,000	75,000
Loan receivable, no interest, unsecured, matures June 2022.	75,000	75,000
Loan receivable, no interest, unsecured, matures April 2020: the note was paid in full in April 2020.	-	9,667
Loan receivable, no interest, unsecured, matures February 2020. Maturity date was extended to September 2021.	75,000	75,000

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

	2021	2020
Loan receivable, no interest, unsecured, matures September 2020. Maturity date was extended to September 2021.	75,000	75,000
Loan receivable, no interest, unsecured, matures February 2021. This loan is past due.	100,000	100,000
Loan receivable, no interest, unsecured, matures February 2021: the note was paid in full in February 2021.	-	75,000
Loan receivable, no interest, unsecured, matures March 2021. This loan is past due.	100,000	100,000
Loan receivable, no interest, unsecured, matures February 2021. This loan is past due.	75,000	75,000
Loan receivable, no interest, unsecured, matures June 2022	100,000	-
Loan receivable, no interest, unsecured, matures August 2022.	100,000	-
Loan receivable, no interest, unsecured, matures August 2022.	100,000	-
Loan receivable, no interest, unsecured, matures December 2022.	100,000	-
Notes receivables before discount and allowance	32,420,678	34,196,187
Less: Discount on notes receivable	(8,595,266)	(8,595,266)
Less: Allowance on notes receivable	(200,000)	(200,000)
	\$ 23,625,412	\$ 25,400,921

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(3) Receivables (Continued)

Scheduled collections on notes receivable at March 31, 2021 are as follows:

<u>Years Ending March 31,</u>	
2022	\$ 2,903,970
2023	1,541,401
2024	9,008,067
2025	488,535
2026	428,802
Thereafter	<u>18,049,903</u>
Total	<u>\$ 32,420,678</u>

Six notes receivable comprised 81% of the total receivables as of March 31, 2021. Five notes receivable comprised 69% of the total receivables as of March 31, 2020. 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 \$21,887 and \$64,768 for the years ended March 31, 2021 and 2020, 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.

Bequests Receivable

For the year ended March 31, 2021, bequests receivable included six bequests, of which one accounted for 63% of the balance. For the year ended March 31, 2020, bequests receivable included two bequests, of which one accounted for 84% 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 that is still considered reasonable as of March 31, 2021.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments

Investments consist of:

	<u>2021</u>	<u>2020</u>
Pooled investments	\$ 644,866,992	\$ 497,307,150
Brokered investments	391,647,841	307,137,143
Assets held under charitable remainder trusts	29,044,369	22,873,223
Partnerships and other closely-held equity	16,800,052	11,278,346
Real estate	27,022,100	23,488,800
Group annuity contract	825,205	843,822
Cash surrender value of life insurance	489,629	489,629
Other investments	3,546,227	971,073
	<u>\$1,114,242,415</u>	<u>\$ 864,389,186</u>

The pooled investments include \$2,277,465 and \$982,769 as of March 31, 2021 and 2020, respectively, of assets held to satisfy charitable gift annuities.

Pooled investments are comprised of the following at March 31, 2021:

	<u>Not Categorized</u>	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 57,032,345	\$ -	\$ 57,032,345
Equities mutual funds:			
Small/mid cap funds	-	11,051,490	11,051,490
International funds	-	65,833,660	65,833,660
Equity index funds	-	175,880,494	175,880,494
Emerging markets funds	-	17,145,262	17,145,262
Fixed income funds:			
Bond funds	-	36,234,653	36,234,653
U.S. treasuries and agency securities	-	149,428	149,428
Private equity and hedge funds	158,340,318	-	158,340,318
Comingled trust funds	123,199,342	-	123,199,342
Total	<u>\$ 338,572,005</u>	<u>\$ 306,294,987</u>	<u>\$ 644,866,992</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments (Continued)

Pooled investments are comprised of the following at March 31, 2020:

	Not Categorized	Level 1	Total
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>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments (Continued)

Brokered investments are held in 111 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 at March 31, 2021:

	2021			
	Not Categorized	Level 1	Level 2	Total
Cash and cash equivalents	\$ 13,773,489	\$ -	\$ -	\$ 13,773,489
Equities and equities mutual funds:				
Equity index funds	-	44,342,770	-	44,342,770
International equities fund	-	28,332,449	-	28,332,449
Real estate funds	-	4,926,229	-	4,926,229
Other mutual funds and exchange traded funds	-	106,256,911	-	106,256,911
Domestic equities	-	105,656,856	-	105,656,856
International equities	-	2,189,895	-	2,189,895
Fixed income and fixed income funds:				
Bond mutual funds	-	53,858,289	-	53,858,289
Corporate bonds	-	-	15,349,009	15,349,009
Government bond funds	-	14,084,348	-	14,084,348
Alternative investments:				
Private equity and hedge funds	2,877,596	-	-	2,877,596
	<u>\$ 16,651,085</u>	<u>\$ 359,647,747</u>	<u>\$ 15,349,009</u>	<u>\$ 391,647,841</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments (Continued)

External managers' investment allocation is monitored by Foundation management and the Investment Committee, and is comprised of the following aggregated categories at March 31, 2020:

	2020			
	Not Categorized	Level 1	Level 2	Total
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
	<u>\$ 23,011,831</u>	<u>\$ 276,262,422</u>	<u>\$ 7,862,890</u>	<u>\$ 307,137,143</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments (Continued)

Other investments are categorized as follows:

	2021		
	Value of Investment	Valuation Method	Fair Value Level
Assets held under charitable remainder trusts			
Cash and cash equivalents	\$ 1,201,022	Fair Value	NA
Government securities	3,297,855	Fair Value	1
Equity mutual funds	6,946,665	Fair Value	1
Fixed income mutual funds	1,450,711	Fair Value	1
Corporate bonds	2,626,736	Fair Value	2
Domestic equities	12,415,360	Fair Value	1
International Equities	976,511	Fair Value	1
Private equity and hedge funds	129,509	Measurement Alternative	NA
Partnerships			
Partnerships	6,889,839	Net Asset Value	NA
Real estate partnerships	3,478,141	Equity Method	NA
Partnerships and other closely-held equity	6,432,072	Measurement Alternative	NA
Real estate	27,022,100	Fair Value	3
Group annuity contract	825,205	Fair Value	3
Cash surrender value of life insurance	489,629	Fair Value	3
Other investments	3,546,227	Fair Value	3
	<u>\$ 77,727,582</u>		

	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
	<u>\$ 59,944,893</u>		

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments (Continued)

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, 2021:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Equity Fund of Funds	\$ 10,835,405	\$ 3,650,707	n/a	n/a
Private Equity	43,441,559	35,904,687	n/a	n/a
Private Debt Fund	66,746,382	23,161,923	n/a	n/a
Multi-Strategy Funds	44,292,922	-	monthly	30 to 60 day notice
Private Real Estate Funds	2,791,485	1,840,000	n/a	n/a
Commingled Trust Fund 2	70,482,059	-	daily	1 day notice
Commingled Trust Fund 3	12,941,830	-	daily	1 day notice
Commingled Trust Fund 4	39,775,453	-	daily	2 day notice
Total	<u>\$ 291,307,095</u>	<u>\$ 64,557,317</u>		

The following table summarizes the nature and risk of these investments as of March 31, 2020:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
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>		

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(4) Investments (Continued)

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.

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(5) 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, 2021:

	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, 2020	\$ 6,885,693	\$ 23,488,800	\$ 2,304,524	\$ 32,679,017
Change in value of split- interest agreements	2,093,924	-	-	2,093,924
Purchases and contributions	-	947,300	2,979,140	3,926,440
Sales	(194,029)	(499,651)	(260,182)	(953,862)
Realized / unrealized gains / (losses)	-	3,085,651	(162,421)	2,923,230
Balance at March 31, 2021	<u>\$ 8,785,588</u>	<u>\$ 27,022,100</u>	<u>\$ 4,861,061</u>	<u>\$ 40,668,749</u>

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, beneficial interest in life estate, 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.
AND
SUPPORT FOUNDATIONS**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(6) 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, 2021 and 2020:

	Charitable Remainder Trusts	Charitable Gift Trusts	Total
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	11,865,155	1,068,660	12,933,815
New gifts	-	668,407	668,407
Annuity payments	(1,677,378)	(115,213)	(1,792,591)
Revaluation of liability	4,780,935	-	4,780,935
Balance at March 31, 2021	<u>\$ 14,968,712</u>	<u>\$ 1,621,854</u>	<u>\$ 16,590,566</u>

(7) Property and Equipment

Property and equipment consists of:

	2021	2020
Cost:		
Furniture, fixtures and equipment	\$ 1,529,666	\$ 1,532,114
Leasehold improvements	513,709	513,709
Art objects	29,257	29,257
Total cost	<u>2,406,720</u>	<u>2,207,580</u>
Accumulated depreciation and amortization	(1,265,859)	(1,059,448)
Projects in process	<u>334,088</u>	<u>132,500</u>
Net property and equipment	<u>\$ 1,140,861</u>	<u>\$ 1,148,132</u>

Projects in process consist of leasehold improvements and software upgrades. Depreciation and amortization expense charged to operations was \$260,316 and \$186,797 for the years ending March 31, 2021 and 2020, respectively.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(8) 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:

	2021	2020
Grants payable to be paid in less than one year	\$ 5,439,883	\$ 4,461,993
Grants payable to be paid in one to five years	4,208,775	2,782,000
Net grants authorized but unpaid	\$ 9,648,658	\$ 7,243,993

(9) 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.

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 ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(9) Agency Funds (Continued)

The activity for the agency funds is summarized as follows:

	<u>2021</u>	<u>2020</u>
Agency funds, beginning of year	\$ 92,421,714	\$ 97,421,044
Contributions and additions	122,875,041	7,784,641
Investment income	1,464,498	1,726,493
Realized and unrealized investment gains (losses)	23,662,659	(4,845,565)
Withdrawal of funds	(111,124,952)	(8,905,100)
Administration and investment fees	<u>(1,025,349)</u>	<u>(759,799)</u>
Agency funds, end of year	<u>\$ 128,273,611</u>	<u>\$ 92,421,714</u>

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of:

	<u>2021</u>	<u>2020</u>
Time restricted:		
Charitable remainder trusts	\$ 14,831,534	\$ 11,551,182
Beneficial interest in charitable remainder trusts	8,288,088	6,344,020
Charitable lead trusts	<u>497,502</u>	<u>541,673</u>
	<u>\$ 23,617,124</u>	<u>\$ 18,436,875</u>

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.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(11) Endowments

The Foundation's endowments consist of approximately 650 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, 2021, 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.

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 ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(11) Endowments (Continued)

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes donor advised, agency, designated, scholarship, field of interest and unrestricted funds. The spending policy effective for the years ended March 31, 2021 and 2020 was to distribute an amount equal to approximately 4.25% 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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 14,831,534	\$ 14,831,534
Board-designated endowment funds	353,377,595	-	353,377,595
 Total funds	 <u>\$ 353,377,595</u>	 <u>\$ 14,831,534</u>	 <u>\$ 368,209,129</u>

The change in endowment net assets for the year ended March 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, April 1, 2020	\$ 272,348,800	\$ 11,551,182	\$ 283,899,982
Contributions	16,023,732	-	16,023,732
Investment return	83,609,946	-	83,609,946
Change in value of charitable remainder trusts	-	3,789,040	3,789,040
Appropriation of endowment assets for expenditure	<u>(18,604,883)</u>	<u>(508,688)</u>	<u>(19,113,571)</u>
Endowment net assets, March 31, 2021	<u>\$ 353,377,595</u>	<u>\$ 14,831,534</u>	<u>\$ 368,209,129</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(11) Endowments (Continued)

The endowment net assets composition by type of fund as of March 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 11,551,182	\$ 11,551,182
Board-designated endowment funds	272,348,800	-	272,348,800
	<u>\$ 272,348,800</u>	<u>\$ 11,551,182</u>	<u>\$ 283,899,982</u>

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 loss	(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 ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS**

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(12) 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 escalating monthly lease payments up to \$35,873. In December 2018, the Foundation amended a lease agreement to lease additional space through May 2027, requiring escalating monthly lease payments up 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>	
2022	\$ 811,690
2023	945,958
2024	926,250
2025	932,653
2026	996,422
Thereafter	<u>1,015,990</u>
Total minimum future rental payments	<u>\$ 5,628,963</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 \$796,996 and \$867,001 for the years ended March 31, 2021 and 2020, respectively.

(13) 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 contributes 6% of the eligible employees’ annual compensation after the employee’s first year of employment. ACF made contributions to the plan of \$356,805 for 2021 and \$358,910 for the years ended March 31, 2021 and 2020, respectively.

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 \$45,319 and \$50,887 for the years ended March 31, 2021 and 2020, respectively. The plan also includes a provision for Rodel to make discretionary contributions to the plan. There were no discretionary contributions made during the years ended March, 31, 2021 and 2020.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(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 \$2,525,000 as of March 31, 2021 and 2020. Proceeds from the line of credit are expressly restricted to provide financing loans to nonprofit community-based organizations in Arizona. It is management's plan to renew the line of credit with its lender. While the line is significant to the Foundation's operations, management has a history of successfully renewing the line of credit and believes renewal is probable.

(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. There were no amounts outstanding on the line of credit as of March 31, 2020. The line was paid off in January of 2021. There are certain financial and non-financial covenants required by the bank.

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. There was no outstanding balance on the note payable at March 31, 2020. The outstanding balance on the note payable as of March 31, 2021 is \$369,064.

(16) Payroll Protection Program Government Grant

During the fiscal year ended March 31, 2021, the Foundation received proceeds in the amount of \$1,145,287 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for funding to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the funded date of the qualifying business. The total amount and accrued interest were forgiven after 24 weeks as the Foundation used the proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent and utilities.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

(17) Commitments and Other Contingencies

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 2022.

(18) 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, 2021, and have issued our report thereon dated October 12, 2021 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 46 and 47 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
October 12, 2021

**THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS
ADDITIONAL INFORMATION
COMBINING SCHEDULE OF FINANCIAL POSITION
March 31, 2021**

ASSETS

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
CASH AND CASH EQUIVALENTS	\$ 6,980,815	\$ (1,999,499)	\$ -	\$ 4,981,316
PREPAID EXPENSES AND OTHER ASSETS	415,801	16,133	-	431,934
RECEIVABLES, net	25,338,948	9,508,486	-	34,847,434
INVESTMENTS	890,828,337	223,414,078	-	1,114,242,415
PROPERTY AND EQUIPMENT, net	1,140,615	246	-	1,140,861
TOTAL ASSETS	<u>\$ 924,704,516</u>	<u>\$ 230,939,444</u>	<u>\$ -</u>	<u>\$ 1,155,643,960</u>

LIABILITIES AND NET ASSETS

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 887,048	\$ 45,422	\$ -	\$ 932,470
GRANTS PAYABLE	5,928,233	3,720,425	-	9,648,658
PRESENT VALUE OF ANNUITY PAYMENTS	16,590,566	-	-	16,590,566
DEFERRED RENT	67,893	-	-	67,893
PROGRAMMATIC REVOLVING LOANS	2,525,000	49,775	-	2,574,775
AGENCY FUNDS	128,273,611	-	-	128,273,611
TOTAL LIABILITIES	154,272,351	3,815,622	-	158,087,973
NET ASSETS	770,432,165	227,123,822	-	997,555,987
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 924,704,516</u>	<u>\$ 230,939,444</u>	<u>\$ -</u>	<u>\$ 1,155,643,960</u>

THE ARIZONA COMMUNITY FOUNDATION, INC.
AND
SUPPORT FOUNDATIONS
ADDITIONAL INFORMATION
COMBINING SCHEDULE OF ACTIVITIES
Year Ended March 31, 2021

	Arizona Community Foundation	Support Foundations	Eliminations and Reclassifications	Combined
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT				
Contributions	\$ 67,037,575	\$ 1,899,914	\$ -	\$ 68,937,489
Investment income	181,679,454	49,333,729	89,090	231,102,273
Interest from notes receivables	572,165	78,714	-	650,879
Change in split interest agreements	5,916,553	-	-	5,916,553
Administrative and trustee fee revenues	5,304,291	(1,580,482)	(89,090)	3,634,719
Interfund gifts	5,642,019	307,000	(1,980,149)	3,968,870
Rental income	215,447	567,959	(94,289)	689,117
Other income	1,507,498	11,572	-	1,519,070
TOTAL CONTRIBUTIONS, REVENUES AND OTHER SUPPORT	267,875,002	50,618,406	(2,074,438)	316,418,970
EXPENSES				
Program expenses:				
Grants and scholarships	72,858,680	12,288,710	-	85,147,390
Interfund grants	3,637,322	1,673,149	(1,980,149)	3,330,322
Other program expenses	9,554,594	790,800	(49,030)	10,296,364
Total program expenses	86,050,596	14,752,659	(2,029,179)	98,774,076
Management and general	3,616,137	449,190	(26,401)	4,038,926
Fundraising	2,356,214	268,511	(18,858)	2,605,867
TOTAL EXPENSES	92,022,947	15,470,360	(2,074,438)	105,418,869
CHANGE IN NET ASSETS	\$ 175,852,055	\$ 35,148,046	\$ -	\$ 211,000,101