

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA

AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2022 and 2021



JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Women's Foundation for the State of Arizona
Tucson, Arizona

Opinion

I have audited the accompanying financial statements of Women's Foundation for the State of Arizona (an Arizona nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women's Foundation for the State of Arizona as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Women's Foundation for the State of Arizona and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Women's Foundation for the State of Arizona's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Women's Foundation for the State of Arizona' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Women's Foundation for the State of Arizona' ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



JENNIFER J. PHILLIPS, CPA, PLLC
Tucson, Arizona

January 18, 2023

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,556,113	\$ 2,655,529
Operating investments - Notes 5 and 9	1,450,967	1,686,123
Pledges receivable - Notes 4 and 9	349,983	44,130
Other receivables	4,649	11,559
Prepaid expenses and other assets	5,781	2,269
Furniture and equipment, net of accumulated depreciation of \$2,248 for both years	-	-
Cash and cash equivalents held for others	367,144	32,718
Endowments:		
Cash and cash equivalents - Note 8	69,314	46,094
Investments - Notes 5, 8 and 9	<u>2,031,594</u>	<u>2,430,956</u>
 Total assets	 <u>\$ 6,835,545</u>	 <u>\$ 6,909,378</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 112,494	\$ 36,486
Refundable advances	917,831	110,000
Due to State of Arizona - Note 11	43,500	81,400
Custodial liabilities	368,368	47,011
Total liabilities	<u>1,442,193</u>	<u>274,897</u>
Net assets:		
Without donor restrictions:		
Available for operations	160,354	363,353
Board designated - operating reserve - Note 3	681,974	196,697
Designated for donor advised purposes - Note 3	<u>1,763,966</u>	<u>2,118,487</u>
Total net assets without donor restrictions	2,606,294	2,678,537
With donor restrictions:		
Timing and purpose restrictions - Note 7	686,150	1,478,894
Endowments - Notes 7 and 8	<u>2,100,908</u>	<u>2,477,050</u>
Total net assets with donor restrictions	<u>2,787,058</u>	<u>3,955,944</u>
Total net assets	<u>5,393,352</u>	<u>6,634,481</u>
	 <u>\$ 6,835,545</u>	 <u>\$ 6,909,378</u>

See Accompanying Notes.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	<u>With donor restrictions</u>				<u>Totals</u>
	<u>Without donor restrictions</u>	<u>Timing and purpose</u>	<u>Endowments</u>	<u>Total donor restricted</u>	
Public support and revenues:					
Governmental grants	\$ 257,838	\$ -	\$ -	\$ -	\$ 257,838
Other grants and trusts	162,500	1,288,355	-	1,288,355	1,450,855
Contributions	139,530	140,624	20,000	160,624	300,154
Fundraising events, net of direct donor benefit costs of \$0	77,660	-	-	-	77,660
Net investment return (loss)	(223,244)	-	(311,126)	(311,126)	(534,370)
Other revenue	14,260	-	-	-	14,260
	<u>428,544</u>	<u>1,428,979</u>	<u>(291,126)</u>	<u>1,137,853</u>	<u>1,566,397</u>
Released from restrictions	<u>2,344,085</u>	<u>(2,259,069)</u>	<u>(85,016)</u>	<u>(2,344,085)</u>	<u>-</u>
Total public support/revenues	<u>2,772,629</u>	<u>(830,090)</u>	<u>(376,142)</u>	<u>(1,206,232)</u>	<u>1,566,397</u>
Expenses:					
Program services	2,126,887	-	-	-	2,126,887
Management and general	500,328	-	-	-	500,328
Fundraising	180,311	-	-	-	180,311
Total expenses	<u>2,807,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,807,526</u>
Change in net assets	(34,897)	(830,090)	(376,142)	(1,206,232)	(1,241,129)
Net assets, beginning of year	2,678,537	1,478,894	2,477,050	3,955,944	6,634,481
Donor redirect - Note 7	<u>(37,346)</u>	<u>37,346</u>	<u>-</u>	<u>37,346</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,606,294</u>	<u>\$ 686,150</u>	<u>\$ 2,100,908</u>	<u>\$ 2,787,058</u>	<u>\$ 5,393,352</u>

See Accompanying Notes.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

	<u>With donor restrictions</u>				<u>Totals</u>
	<u>Without donor restrictions</u>	<u>Timing and purpose</u>	<u>Endowments</u>	<u>Total donor restricted</u>	
Public support and revenues:					
Governmental grants	\$ 7,014,475	\$ -	\$ -	\$ -	\$ 7,014,475
Other grants and trusts	123,118	1,154,275	-	1,154,275	1,277,393
Contributions	360,607	82,593	13,950	96,543	457,150
Fundraising events, net of direct donor benefit costs of \$0	178,720	-	-	-	178,720
Net investment return (loss)	273,712	-	386,017	386,017	659,729
Other revenue	-	-	-	-	-
	<u>7,950,632</u>	<u>1,236,868</u>	<u>399,967</u>	<u>1,636,835</u>	<u>9,587,467</u>
Released from restrictions	634,071	(560,571)	(73,500)	(634,071)	-
Total public support/revenues	<u>8,584,703</u>	<u>676,297</u>	<u>326,467</u>	<u>1,002,764</u>	<u>9,587,467</u>
Expenses:					
Program services	7,644,159	-	-	-	7,644,159
Management and general	274,109	-	-	-	274,109
Fundraising	145,769	-	-	-	145,769
Total expenses	<u>8,064,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,064,037</u>
Change in net assets	520,666	676,297	326,467	1,002,764	1,523,430
Net assets, beginning of year	2,262,871	697,597	2,150,583	2,848,180	5,111,051
Donor redirect - Note 7	<u>(105,000)</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,678,537</u>	<u>\$ 1,478,894</u>	<u>\$ 2,477,050</u>	<u>\$ 3,955,944</u>	<u>\$ 6,634,481</u>

See Accompanying Notes.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Program services					Total	Management and general		Total
	Grantmaking	Research & advocacy	Pathways	Statewide listening tour	Other programs		and general	Fundraising	
Salaries and wages	\$ -	\$ 55,013	\$ 360,793	\$ 320,787	\$ 43,435	\$ 780,028	\$ 190,659	\$ 81,480	\$ 1,052,167
Employee-related costs	-	9,297	60,974	54,213	7,341	131,825	32,220	13,770	177,815
	-	64,310	421,767	375,000	50,776	911,853	222,879	95,250	1,229,982
Advertising/promotion	-	1,257	3,908	60,143	310	65,618	6,321	25,229	97,168
Communication	-	-	-	996	-	996	32,132	-	33,128
Direct assistance to individuals	-	-	172,749	-	-	172,749	-	-	172,749
Dues and subscriptions	-	-	-	-	-	-	3,844	-	3,844
Grants made to others	791,951	-	-	-	-	791,951	-	-	791,951
Insurance	-	-	165	128	-	293	2,324	-	2,617
Licenses and fees	-	-	756	-	-	756	18,337	125	19,218
Miscellaneous	-	-	-	-	-	-	-	-	-
Occupancy	-	157	-	-	-	157	359	10,481	10,997
Office/computer expense	-	-	731	-	-	731	93,345	4,939	99,015
Postage and printing	-	-	373	438	-	811	359	8,327	9,497
Professional services	100	49,000	-	-	-	49,100	20,579	34,637	104,316
Program contracts	38,400	-	80,248	-	1,000	119,648	350	-	119,998
Travel and training	401	767	1,598	9,458	-	12,224	99,499	1,323	113,046
Total expenses	\$ 830,852	\$ 115,491	\$ 682,295	\$ 446,163	\$ 52,086	\$ 2,126,887	\$ 500,328	\$ 180,311	\$ 2,807,526

See Accompanying Notes.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	Program services					Total	Management and general		Total
	Grantmaking	Research & advocacy	Pathways	We Are One/ Somos Uno	Other programs		and general	Fundraising	
Salaries and wages	\$ -	\$ -	\$ 280,170	\$ 58,967	\$ 24,107	\$ 363,244	\$ 131,136	\$ 76,720	\$ 571,100
Employee-related costs	-	-	50,326	10,592	4,330	65,248	23,556	13,781	102,585
	-	-	330,496	69,559	28,437	428,492	154,692	90,501	673,685
Advertising/promotion	-	-	-	207	-	207	2,935	11,294	14,436
Communication	-	-	-	9,020	-	9,020	3,501	-	12,521
Direct assistance to individuals	-	-	37,449	6,611,150	-	6,648,599	-	-	6,648,599
Dues and subscriptions	-	-	-	16,070	-	16,070	2,569	512	19,151
Grants made to others	228,250	-	105,000	-	-	333,250	-	-	333,250
Insurance	-	-	-	-	-	-	2,031	-	2,031
Licenses and fees	-	-	-	819	-	819	4,927	25	5,771
Miscellaneous	-	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	1,632	1,071	2,703
Office/computer expense	-	-	73	2,976	-	3,049	25,534	9,772	38,355
Postage and printing	81	-	-	5,228	-	5,309	3,548	6,732	15,589
Professional services	-	25,000	-	140,702	-	165,702	51,344	25,493	242,539
Program contracts	-	4,333	28,086	-	-	32,419	-	-	32,419
Travel and training	-	-	-	1,223	-	1,223	21,396	369	22,988
Total expenses	\$ 228,331	\$ 29,333	\$ 501,104	\$ 6,856,954	\$ 28,437	\$ 7,644,159	\$ 274,109	\$ 145,769	\$ 8,064,037

See Accompanying Notes.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,241,129)	\$ 1,523,430
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains)/losses on operating investments	239,390	(278,715)
Endowment net investment (return)/loss	311,126	(386,017)
(Increase) decrease in operating assets:		
Pledges receivable	(305,853)	433,581
Other receivables	6,910	(6,954)
Prepaid expenses and other assets	(3,512)	(2,269)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	76,008	(12,395)
Refundable advances	807,831	-
Due to State of Arizona	(37,900)	81,400
Custodial liabilities	321,357	25,756
Long-term (endowment) contributions	(20,000)	(13,950)
Net cash provided by operating activities	154,228	1,363,867
Cash flows from investing activities:		
Proceeds from sales of operating investments	249,699	845,772
Purchases of operating investments	(253,933)	(1,747,304)
(Addition to)/withdrawal from endowment	88,236	54,311
Net cash provided by (used in) investing activities	84,002	(847,221)
Cash flows provided by financing activities -		
Long-term (endowment) contributions	20,000	13,950
Net change in cash and cash equivalents	258,230	530,596
Cash, cash equivalents and restricted cash, beginning of year	2,734,341	2,203,745
Cash, cash equivalents and restricted cash, end of year	\$ 2,992,571	\$ 2,734,341

Supplemental cash flow information

No cash paid for income taxes or interest in 2022 or 2021.

See Accompanying Notes.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – Organization

The Women's Foundation for the State of Arizona (Foundation), established in 1991, is a public nonprofit organization incorporated in Arizona. The mission of the Foundation is to collaborate to achieve social, political and economic change that empowers women and girls. The Foundation fulfills this mission through research, advocacy, grant-making and leadership development. The Foundation uses a community-based process to grant funds to an array of programs in Arizona that benefit women and girls and provides innovative programs to increase young women's philanthropy. Primary funding is from contributions, grants and fundraising events.

The Foundation has the following programs:

Grant-making – grants are awarded to an array of organizations in Arizona that promote economic self-sufficiency for women and girls.

Research and Advocacy – advocacy and research on issues affecting women and girls in Arizona.

Pathways – connects single mothers to high demand one-year career technical education programs in fields that pay a livable wage, getting their families on a new path to self-sufficiency.

We are One/Somos Uno Resiliency Fund – In the summer of 2020, the City of Tucson and the Foundation entered into a financial participation agreement whereby the City would direct up to \$7,000,000 in federal COVID relief funds to the Foundation to support workers and families by providing emergency assistance grants. This one-time funding source had a material effect on the programs and activities of Foundation during the year ended June 30, 2021.

Statewide Listening Tour – During the year ended June 30, 2022, the Foundation launched a statewide listening tour with the purpose of learning more about the issues facing women and girls in the state, to help identify opportunities for future legislative policy, grants, and pilot programs.

NOTE 2 – Summary of significant accounting policies

Cash and cash equivalents

The Foundation considers all cash and highly liquid investments with an original maturity of three months or less which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,556,113	\$ 2,655,529
Cash held for other organizations	367,144	32,718
Endowment cash and cash equivalents	69,314	46,094
	<u>\$ 2,992,571</u>	<u>\$ 2,734,341</u>

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

Promises to give

The Foundation records unconditional promises to give (pledges receivable) that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management believes that all receivables are collectible, and, accordingly, has recorded no allowance for uncollectible amounts. These amounts contain no collateral provisions for collection.

Furniture and equipment

Purchased property and equipment with a useful life of more than one year are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Foundation capitalizes all furniture and equipment in excess of \$2,500 and with a useful life of more than one year.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Foundation has determined that there were no indicators of asset impairment as of either June 30, 2022 or 2021.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for operating reserves and future donor advised fund distributions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

Endowments

The Foundation's endowments consist of three individual funds established under donor restriction. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona adopted the Management of Charitable Funds Act (the Act). The Board of Trustees of the Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Revenue and revenue recognition

The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2022 and 2021, conditional grants totaling \$3,308,181 and \$0, respectively, have not been recognized as revenue in the accompanying financial statements.

In-kind contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services. The Foundation does not sell donated gifts-in-kind. Contributed goods are recorded at fair value at the date of donation. Contributions of such goods or services received were not significant during either of the years ended June 30, 2022 or 2021.

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills, and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

The Foundation's volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional allocation of expenses

The Foundation's general approach to allocate costs to functions follows:

- All allowable direct costs are charged to programs, grants, activities and functions;
- Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base more appropriate to the particular cost being prorated;
- All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated using a base that results in an equitable distribution.

Management believes that the allocation base most equitable is personnel costs charged to functional areas.

Advertising

Advertising costs are expensed as incurred.

Income tax status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(VI) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Management of the Foundation considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that the Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, the Foundation has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for either of the years ended June 30, 2022 or 2021.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value measurements

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset or liability. A fair value hierarchy distinguishes between market

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

participant assumptions and the Foundation's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the Foundation's own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. They include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates or yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. These inputs reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Financial instruments and credit risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. As of June 30, 2022, uninsured cash and cash equivalents totaled \$2,484,093.

Investments are made by diversified investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Board of Trustees believes that the investment policies and guidelines are prudent for the long-term welfare of the organization. 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 such changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and foundations supportive of the Foundation's mission; however, there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 3 – Liquidity, availability and sustainability

Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, follow on June 30:

	2022	2021
Cash and cash equivalents	\$ 2,219,945	\$ 1,220,765
Pledges receivable	171,903	44,130
Other receivables	4,649	11,559
Investments	1,450,967	1,686,123
	3,847,464	2,962,577
Less: Amounts designated by the Board of Trustees:		
Operating reserve	(681,974)	(196,697)
Future donor advised grant distributions	(1,763,966)	(2,118,487)
	\$ 1,401,524	\$ 647,393

Endowment funds consist of donor and non-donor restricted endowments. There are no funds designated by the Board of Trustees as endowments. Income from restricted endowments is restricted for specific programs benefitting young women and girls and are not available for general expenditure. Earnings on endowments not restricted by donors are available for expenditure in accordance with the spending policy of the Foundation.

In order to ensure the stability of the mission, programs, employment and ongoing operations of the Foundation, the Board of Trustees has approved reserve policies that also provide an internal source of funds for organizational priorities such as capacity building, program opportunities, capital asset purchase, multi-year grant commitments and strategic plan implementation.

The Board of Trustees has approved an Operating Reserve of representing 3 months of operating costs of the next year's unrestricted budget approved by the Board of Trustees. This represents an internal restriction on unrestricted financial resources.

At its discretion, the Board of Trustees may designate specific gifts or funds to function as board designated endowments. At both June 30, 2022 and 2021, no funds have been designated as board designated endowments.

The Foundation accepts donations designated as donor advised funds. Such funds are intended to provide a permanent and continuous source of philanthropic capital to the Southern Arizona community. The donor to the fund may make grant recommendations in accordance with Internal Revenue Service and Foundation guidelines. Until the funds are granted, the funds are invested and are designated by the Board of Trustees as held for future donor advised grant distribution and are not available for general operations of the Foundation.

Sustainability

The Board of Trustees holds all funds, in its fiduciary and stewardship capacities, for the benefit of fulfilling the Foundation's mission. The Foundation's investment policies require that assets of the

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 3 – Liquidity, availability and sustainability – continued

Foundation be managed consistent with Arizona statutes consistent with the *Uniform Prudent Management of Institutional Funds Act*. See Note 8. Investment performance is monitored on a quarterly basis with specified benchmarks.

The Board of Trustees have a formally adopted spending policy, which indicates the spending rate to determine the annual distributions. See Note 8.

Cash in excess of annual operating requirements is invested in money market accounts at financial institutions as part of the liquidity management plan.

All capital purchases are approved by the Board of Trustees.

NOTE 4 – Pledges receivable

Pledges receivable due after one year are discounted at 3%. At June 30, 2022 and 2021, pledges receivable consist of balances to be paid in future years as follows:

	2022	2021
Year ended June 30, 2022		\$ 44,130
2023	\$ 213,278	-
2024	150,000	-
	363,278	44,130
Less: discount to present value	(13,295)	-
	\$ 349,983	\$ 44,130

See Note 9 for fair value measurements.

NOTE 5 – Investments

Investments were designated as follows at June 30, 2022 and 2021:

	2022	2021
Available for operations	\$ -	\$ -
Donor-advised funds (board designated)	1,450,967	1,686,123
Endowments	2,031,594	2,430,956
	\$ 3,482,561	\$ 4,117,079

See Note 9 for fair value measurements.

NOTE 6 – Forgivable loan

In May 2020, the Foundation was granted a \$110,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the federal government. The Foundation would be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness. The Foundation was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 6 – Forgivable loan – continued

The Foundation initially recorded the loan as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan were eligible for forgiveness if they were used for certain payroll, rent, and utility expenses. Loan forgiveness was received during the year ended June 30, 2022, and, accordingly, the Foundation recognized a contribution (governmental grant) during the year.

NOTE 7 – Net assets with donor restrictions

Net assets with donor restrictions were as follows for the year ended June 30, 2022:

	Beginning balance	Contributions/ donor redirect	Investment income/ loss	Releases	Ending balance
Specified purpose:					
Advocacy/public policy	\$ -	\$ 137,345	\$ -	\$ (115,491)	\$ 21,854
Appointments project	30,153	-	-	-	30,153
DEIA training	-	41,000	-	(40,894)	106
Grants	-	297,500	-	(297,500)	-
Unidas	-	10,350	-	(10,350)	-
Pathways	632,804	216,750	-	(633,823)	215,731
Statewide expansion	375,000	73,250	-	(446,162)	2,088
Women & Girls of Color	38,950	196,750	-	(195,700)	40,000
Staffing and hiring support	262,857	-	-	(262,747)	110
	<u>1,339,764</u>	<u>972,945</u>	<u>-</u>	<u>(2,002,667)</u>	<u>310,042</u>
Timing:					
Passage of time - pledges	44,130	453,380	-	(188,902)	308,608
Future operations	95,000	40,000	-	(67,500)	67,500
	<u>139,130</u>	<u>493,380</u>	<u>-</u>	<u>(256,402)</u>	<u>376,108</u>
Endowments:					
Subject to appropriation and expenditure (purpose):					
Rebecca fund	22,727	-	(24,797)	(2,500)	(4,570)
WFSA/girls	548,773	-	(286,329)	(82,516)	179,928
	<u>571,500</u>	<u>-</u>	<u>(311,126)</u>	<u>(85,016)</u>	<u>175,358</u>
Subject to endowment spending policy and appropriation:					
Rebecca fund	151,300	20,000	-	-	171,300
WFSA/girls	1,754,250	-	-	-	1,754,250
	<u>1,905,550</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>1,925,550</u>
Total endowments	<u>2,477,050</u>	<u>20,000</u>	<u>(311,126)</u>	<u>(85,016)</u>	<u>2,100,908</u>
	<u>\$ 3,955,944</u>	<u>\$ 1,486,325</u>	<u>\$ (311,126)</u>	<u>\$ (2,344,085)</u>	<u>\$ 2,787,058</u>

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 7 – Net assets with donor restrictions – continued

Net assets with donor restrictions were as follows for the year ended June 30, 2021:

	Beginning balance	Contributions/ donor redirect	Investment income/ loss	Releases	Ending balance
Specified purpose:					
Advocacy/public policy	\$ 24,917	\$ -	\$ -	\$ (24,917)	\$ -
Appointments project	25,153	5,000	-	-	30,153
DEIA Training	-	-	-	-	-
Grants	1,000	1,000	-	(2,000)	-
Unidas	-	5,000	-	(5,000)	-
Pathways	582,698	489,275	-	(439,169)	632,804
Statewide expansion	-	375,000	-	-	375,000
Women & Girls of Color	-	54,250	-	(15,300)	38,950
Staffing and hiring support	-	295,000	-	(32,143)	262,857
	<u>633,768</u>	<u>1,224,525</u>	<u>-</u>	<u>(518,529)</u>	<u>1,339,764</u>
Timing:					
Passage of time - pledges	63,829	22,343	-	(42,042)	44,130
Future operations	-	95,000	-	-	95,000
	<u>63,829</u>	<u>117,343</u>	<u>-</u>	<u>(42,042)</u>	<u>139,130</u>
Endowments:					
Subject to appropriation and expenditure (purpose):					
Rebecca fund	3,451	-	32,776	(13,500)	22,727
WFSA/girls	255,532	-	353,241	(60,000)	548,773
	<u>258,983</u>	<u>-</u>	<u>386,017</u>	<u>(73,500)</u>	<u>571,500</u>
Subject to endowment spending policy and appropriation:					
Rebecca fund	130,800	20,500	-	-	151,300
WFSA/girls	1,760,800	(6,550)	-	-	1,754,250
	<u>1,891,600</u>	<u>13,950</u>	<u>-</u>	<u>-</u>	<u>1,905,550</u>
Total endowments	<u>2,150,583</u>	<u>13,950</u>	<u>386,017</u>	<u>(73,500)</u>	<u>2,477,050</u>
	<u>\$ 2,848,180</u>	<u>\$ 1,355,818</u>	<u>\$ 386,017</u>	<u>\$ (634,071)</u>	<u>\$ 3,955,944</u>

NOTE 8 – Endowments

Funds with deficiencies

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of \$0 were reported in net assets with donor restrictions as of both June 30, 2022 and 2021.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 8 – Endowments – continued

Return objectives and risk parameters

The Foundation has adopted investment policies for endowment assets that attempt to maintain sufficient cash to sustain operations and to invest excess cash to maximize income while preserving principal. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The Foundation's investment objectives are as follows:

- Assets of the Foundation are invested in a manner which does not incur undue market risk, i.e., the achievement of specific investment goals in such a manner as to protect against excessive volatility of returns from year to year.
- Protect the Foundation against inflationary erosion, i.e., the achievement of adequate investment growth such that the purchasing power of the principal amount of these assets is maintained over a five-year horizon.
- Equity-type investments (i.e., common stocks, convertible issues) are permitted in both the domestic and foreign markets. At no time does any single security represent greater than 10% of the portfolio (excluding mutual funds) nor does any industry group represent greater than 15% of the portfolio. Additionally, if a single security (excluding mutual funds) represents greater than 5% or any industry group represents greater than 10% of the portfolio, notification and rationale is given to the Investment Committee.
- Use of fixed income investments may include both domestic and foreign obligations including, marketable corporate bonds, debentures, preferred stocks, commercial paper, certificates of deposit and such other fixed income investments as deemed prudent by the Investment Manager.
- Cash equivalent securities are viewed not only as an avenue to meet the liquidity requirements of the Foundation but also as an alternative investment vehicle. In either case, however, selection of particular investments is determined primarily by the safety and liquidity of the investment and only secondarily by the yield available.

Investment strategies

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Dynamic, flexible management of the portfolio is both permitted and encouraged. Shifts of emphasis among equity, fixed income and cash equivalent sectors of the aggregate asset base are in order to achieve long-term return objectives within prudent risk constraints.

Spending policies

The Foundation has a formally adopted spending policy, which indicates the spending rate to determine the annual distributions. The amount is to be computed as follows: the target spending rate should be 4% of the average market value on December 31st for the most recent three-year period. Distributions are made annually, by the beginning of the next fiscal year.

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 8 – Endowments – continued

Endowment fund net assets

Endowment fund assets consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 69,314	\$ 46,094
Investments	<u>2,031,594</u>	<u>2,430,956</u>
	<u>\$ 2,100,908</u>	<u>\$ 2,477,050</u>

Changes in endowment net assets consisted of the following for the years ended June 30, 2022 and 2021:

	<u>With donor restrictions</u>	
	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,477,050	\$ 2,150,583
Contributions	20,000	13,950
Investment return (loss), net	(311,126)	386,017
Appropriations/releases	<u>(85,016)</u>	<u>(73,500)</u>
Balance, end of year	<u>\$ 2,100,908</u>	<u>\$ 2,477,050</u>

NOTE 9 – Fair value measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	<u>Level 1</u>	
	<u>2022</u>	<u>2021</u>
Corporate stocks	\$ 1,247,279	\$ 1,540,602
Exchange traded/closed end funds	1,021,064	1,418,100
Government bonds/securities	487,402	307,899
Corporate bonds	253,230	280,953
Mutual funds	<u>473,586</u>	<u>569,525</u>
	<u>\$ 3,482,561</u>	<u>\$ 4,117,079</u>

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2022 and 2021:

	<u>Level 3</u>	
	<u>2022</u>	<u>2021</u>
Assets:		
Pledges receivable	<u>\$ 349,983</u>	<u>\$ 44,130</u>

WOMEN'S FOUNDATION FOR THE STATE OF ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2022 and 2021

NOTE 9 – Fair value measurements – continued

Valuation techniques

The fair value of the above Level 1 investments is based on quoted prices in an active market. The fair value of pledges receivable is estimated using an interest rate which approximates the present value of future cash flows. There were no changes in valuation techniques during either of the years ended June 30, 2022 and 2021. Determinations of transfers between levels are made on an annual basis at year-end. There were no transfers between levels as of either June 30, 2022 and 2021.

NOTE 10 – Retirement plan

The Foundation has a 401(k)-retirement plan available for all employees over the age of 21 to defer compensation. The Foundation may make both matching and discretionary employer contributions to the Plan. The Foundation made contributions of \$19,197 and \$12,035 to the Plan for the years ended June 30, 2022 and 2021, respectively. Employees begin vesting in employer matching contributions to the Plan immediately, and nonelective contributions after one year of service, defined as 1,000 hours of service during the twelve-month period beginning on the date of hire.

NOTE 11 – Due to State of Arizona

As discussed in Note 1, the City of Tucson and the Foundation entered into a financial participation agreement whereby the City directed federal COVID relief funds to the Foundation to support workers and families by providing emergency assistance grants. This program ended December 31, 2020. Since that date, the Foundation has attempted to follow up with program participants and void and reissue checks as necessary. Subsequent to year-end, after numerous follow-up attempts, the Foundation remitted the remaining unclaimed funds to the Arizona Department of Revenue to safeguard and distribute them to the rightful owners in accordance with unclaimed property laws.

This governmental agency funding is subject to compliance audits. Assessments from these audits, if any, will be recorded when the amounts of such assessments are reasonably determinable.

NOTE 12 – Subsequent events

Management has evaluated subsequent events through January 18, 2023 which is the date the financial statements were available to be issued.