



Arizona Western College Foundation
Financial Statements
For the Year Ended June 30, 2022

Arizona Western College Foundation

Financial Statements
Year Ended June 30, 2022

**ARIZONA WESTERN COLLEGE FOUNDATION
YEAR ENDED JUNE 30, 2022
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Arizona Western College Foundation

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Arizona Western College Foundation (Foundation) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Western College Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Arizona Western College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Foundation'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

Our 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 our 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, we:

- 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 the Foundation's 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
October 26, 2022

ARIZONA WESTERN COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

Assets

| | |
|---------------------------|---------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 442,355 |
| Accounts receivable | 8,582 |
| Contributions receivable | 9,000 |
| Other assets | 3,502 |
| Total current assets | <u>463,439</u> |
| Noncurrent assets: | |
| Contributions receivable | 5,000 |
| Investments | 6,083,611 |
| Total assets | <u>\$ 6,552,050</u> |

Liabilities

| | |
|---------------------------|------------------|
| Current liabilities: | |
| Accounts payable | \$ <u>67,862</u> |
| Total current liabilities | <u>67,862</u> |
| Noncurrent liabilities: | |
| Compensated absences | <u>19,823</u> |
| Total liabilities | <u>87,685</u> |

Net assets

| | |
|----------------------------------|---------------------|
| Without donor restrictions: | |
| Undesignated | 1,343,567 |
| Designated by the Board | 390,406 |
| With donor restrictions: | |
| Time restricted | 441,402 |
| Purpose restricted | 1,421,101 |
| Perpetual in nature | <u>2,867,889</u> |
| Total net assets | <u>6,464,365</u> |
| Total liabilities and net assets | <u>\$ 6,552,050</u> |

See accompanying notes to financial statements.

ARIZONA WESTERN COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------------|
| Revenue, support, and gains: | | | |
| Contributions | \$ 1,385 | \$ 231,619 | \$ 233,004 |
| Contributions - in kind | 267,526 | | 267,526 |
| Investment return, net | (77,334) | (517,623) | (594,957) |
| Net assets released from restrictions | 973,470 | (973,470) | |
| Total revenue, support, and gains | <u>1,165,047</u> | <u>(1,259,474)</u> | <u>(94,427)</u> |
| Expenses and losses: | | | |
| Program services | | | |
| Scholarships | 370,268 | | 370,268 |
| Instruction | 739,223 | | 739,223 |
| Total program expenses | <u>1,109,491</u> | | <u>1,109,491</u> |
| Supporting services | | | |
| Management and general | 60,292 | | 60,292 |
| Fundraising | 37,398 | | 37,398 |
| Total supporting services | <u>97,690</u> | | <u>97,690</u> |
| Total expenses and losses | 1,207,181 | | 1,207,181 |
| Change in net assets | (42,134) | (1,259,474) | (1,301,608) |
| Net assets, beginning of year | <u>1,776,107</u> | <u>5,989,866</u> | <u>7,765,973</u> |
| Net assets, end of year | <u>\$ 1,733,973</u> | <u>\$ 4,730,392</u> | <u>\$ 6,464,365</u> |

See accompanying notes to financial statements.

**ARIZONA WESTERN COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

| | Program Services | Supporting Services | | Total |
|--------------------------------|---------------------|---------------------------|------------------|---------------------|
| | | Management and General | Fundraising | |
| Scholarships | \$ 159,302 | \$ | \$ | \$ 159,302 |
| Instructional supplies | 39,978 | | | 39,978 |
| Library project | 608,121 | | | 608,121 |
| Professional development | | 270 | | 270 |
| Salaries and wages | 242,572 | 30,321 | 30,320 | 303,213 |
| Printing and copying | 438 | | 49 | 487 |
| Insurance | | 2,253 | | 2,253 |
| Travel and meetings | | 2,500 | | 2,500 |
| Office supplies and technology | 791 | 1,365 | 99 | 2,255 |
| Postage | 665 | 83 | 83 | 831 |
| Rent | 42,624 | 5,328 | 5,328 | 53,280 |
| Bank/credit card charges | 833 | | | 833 |
| Professional services | 11,409 | 17,957 | 1,426 | 30,792 |
| Memberships and subscriptions | 425 | 14 | 93 | 532 |
| Miscellaneous expenses | 2,333 | 201 | | 2,534 |
| Total expenses | <u>\$ 1,109,491</u> | <u>\$ 60,292</u> | <u>\$ 37,398</u> | <u>\$ 1,207,181</u> |

See accompanying notes to financial statements.

**ARIZONA WESTERN COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

| | |
|--|--------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (1,301,608) |
| Adjustments to reconcile change in net assets to net cash used for operating activities: | |
| Net loss on investments | 776,068 |
| Changes in assets and liabilities: | |
| Accounts receivable | (582) |
| Contributions receivable | 1,000 |
| Other assets | (1,626) |
| Accounts payable | (373,881) |
| Compensated absences | 8,021 |
| | <u>8,021</u> |
| Net cash used for operating activities | <u>(892,608)</u> |
| Cash flows from investing activities: | |
| Proceeds from sale of investments | 7,139,930 |
| Purchases of investments | <u>(5,870,508)</u> |
| Net cash provided by investing activities | <u>1,269,422</u> |
| Net increase in cash and cash equivalents | 376,814 |
| Cash and cash equivalents, beginning of year | <u>65,541</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 442,355</u></u> |

See accompanying notes to financial statements.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Arizona Western College Foundation (the Foundation) provides funding for educational needs and individual scholarships through Arizona Western College and other special projects. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The Foundation's offices are located on the campus of Arizona Western College in Yuma, Arizona. The Foundation provides services to residents of Yuma and La Paz counties. The Foundation's primary source of revenue is from contributions.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Foundation is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Governing Board has designated, from net assets without donor restrictions, net assets for the purpose of matching donated contributions for the Dreams to Reality Program. These assets are held in investments in a board designated endowment fund.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are 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 are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Foundation reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. There was no uninsured cash at year end. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Foundation's investments do not represent significant concentrations of market risk inasmuch as the Foundation's investment portfolio is adequately diversified among issuers.

Revenue Recognition

Contributions. The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a 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 met. The Foundation did not have any conditional promises to give at June 30, 2022.

Contributions Receivable

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net realizable value due to the insignificant difference to the net present value of expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

All acquisitions of property and equipment with a cost in excess of \$5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective asset. No assets met the Foundation's capitalization threshold, and therefore, depreciation expense for the current fiscal year was \$0.

The Foundation reviews long-lived assets 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 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. Management does not believe impairment indicators are present.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Foundation's policy to recognize the cost of compensated absence when leave is earned by employees.

In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of Allocation</u> |
|--------------------------------|-----------------------------|
| Salaries and wages | Time and effort |
| Printing and copying | Time and effort |
| Office supplies and technology | Time and effort |
| Postage | Time and effort |
| Rent | Time and effort |
| Professional services | Time and effort |
| Memberships and subscriptions | Time and effort |

Advertising

The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled \$16.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation's Form 990, *Return of Organization Exempt from Income Taxes* is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

New Accounting Pronouncement

During the fiscal year, the Foundation adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The adoption did not have a significant impact on the Foundation's financial statements.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncements Issued Not Yet Effective

In February 2016, the FASB issued ASU Update 2016-02, *Leases (Topic 842)*. The ASU will require entities to recognize assets and liabilities for both capital and operating leases with lease terms of more than 12 months on the statement of financial position. This ASU is effective for fiscal years beginning after December 15, 2021. The Foundation is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

Date of Management’s Review

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 26, 2022, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Foundation’s financial assets at fiscal year end:

| | |
|---|---------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 442,355 |
| Contributions receivable | 9,000 |
| Accounts receivable | 8,582 |
| Investments | <u>6,083,611</u> |
| Total financial assets | <u>6,543,548</u> |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions | (4,730,392) |
| Quasi-endowment established by the Board | <u>(390,406)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 1,422,750</u> |

The Foundation does not have a formal policy regarding operating reserves, however the Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Although the Foundation does not intend to spend from its quasi-endowment, amounts could be made available if necessary. The Foundation did not have any lines of credit during the current fiscal year.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Foundation would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Foundation’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets for identical investments.
- Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

| | Hierarchy Level | Fair Value |
|---------------------------|--------------------|---------------------|
| Cash and cash equivalents | | |
| Money market funds | Level 1 | \$ 418,812 |
| Investments | | |
| Fixed income investments | Level 1 | 3,372,232 |
| Equities | Level 1 | 2,711,379 |
| Total assets | | <u>\$ 6,502,423</u> |

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments – Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following:

| | |
|--------------------------|-------------------------|
| Contributions receivable | \$ 14,000 |
| Amounts due in: | |
| Less than one year | 9,000 |
| One to five years | <u>5,000</u> |
| Total | <u><u>\$ 14,000</u></u> |

NOTE 5 – ENDOWMENTS

The Foundation's endowment consists of approximately 148 individual funds established for student scholarships. Its endowment includes both donor-restricted funds and funds designated by the Board to meet matching requirements. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – ENDOWMENTS

Endowment Net Asset Composition by Type of Fund as of year end:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---------------------------------|---------------------------|--------------|
| Donor-restricted endowment funds: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ | \$ 2,867,889 | \$ 2,867,889 |
| Accumulated investment gains and contributions | | 869,603 | 869,603 |
| Board-designated endowment funds: | | | |
| Title V match | 390,406 | | 390,406 |
| Total funds | \$ 390,406 | \$ 3,737,492 | \$ 4,127,898 |

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of three to four percent, while growing the funds if possible.

Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately six to eight percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – ENDOWMENTS

Spending Policy

The Foundation has a policy of appropriating for distribution each year between three and four percent of its endowment funds' average fair value, provided that the value of the particular endowment is at least 105 percent of its principal. Any income in excess of annual spending is to be reinvested in the endowment account. Money reinvested in the endowment account shall not be considered principal of that account unless so designated by the Board or as stipulated by the donor. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to be consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment Net Assets as of year end:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---------------------------------|---------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 450,734 | \$ 4,238,564 | \$ 4,689,298 |
| Contributions | | 185,554 | 185,554 |
| Reclassification | | 3,775 | 3,775 |
| Investment return, net | (46,306) | (405,010) | (451,316) |
| Amounts appropriated for expenditure | (14,022) | (285,391) | (299,413) |
| Endowment net assets, end of year | <u>\$ 390,406</u> | <u>\$ 3,737,492</u> | <u>\$ 4,127,898</u> |

NOTE 6 – NET ASSETS

Net assets without donor restrictions are as follows:

| | |
|------------------------------|---------------------|
| Designated for Title V match | \$ 390,406 |
| Undesignated | 1,343,567 |
| Total | <u>\$ 1,733,973</u> |

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – NET ASSETS

Net assets with donor restrictions were as follows:

| | |
|--------------------------------|---------------------|
| Perpetual and Specific Purpose | |
| Endowments | \$ 3,737,492 |
| Title V Dreams to Reality | 16,770 |
| Instruction | 534,728 |
| Passage of Time | |
| Title V Dreams to Reality | 441,402 |
| Total | <u>\$ 4,730,392</u> |

Net assets released from donor restrictions are as follows:

| | |
|--------------------------------------|-------------------|
| Satisfaction of purpose restrictions | |
| Scholarships | \$ 285,391 |
| Instructional | 671,616 |
| Title V Dreams to Reality | 16,463 |
| Total | <u>\$ 973,470</u> |

NOTE 7 – CONTRIBUTED NONFINANCIAL ASSETS

The Foundation received the following contributions of nonfinancial assets during the fiscal year:

| | |
|-----------------------|-------------------|
| Salaries and benefits | \$ 214,246 |
| Rent | 53,280 |
| Total | <u>\$ 267,526</u> |

Arizona Western College contributes office space to the Foundation on a month-to-month basis. From July through December 2021, the Foundation utilized 809.5 square feet of office space and from January through June 2022, the Foundation utilized 966.5 square feet of office space. Through reference to other lease agreements the College has with outside renters, the market value of the Foundation’s space is estimated at \$5 per square foot. The contributed office space is used for program, management & general, and fundraising services and is allocated based upon time and effort for each service.

In addition, Arizona Western College pays 100 percent of the salaries and benefits for the Chief Operating Officer and the Development Manager of the Foundation, as well as, 40 percent of the salaries and benefits for the Executive Director, which is based on time and effort spent between the College and the Foundation.

ARIZONA WESTERN COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – CONCENTRATIONS

The Foundation relies on support from Arizona Western College for a significant portion of its operating expenses for services performed by the Foundation. The loss of such support could have a material impact on the operations of the Foundation.