

Yavapai College Foundation, Inc.

Financial Statements and
Supplementary Information

June 30, 2023 and 2022

Yavapai College Foundation, Inc.

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Independent Auditors' Report

To the Board of Directors of
Yavapai College Foundation, Inc.

Opinion

We have audited the financial statements of Yavapai College Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 GAAP, 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.

Auditors' 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 auditors' 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 GAAS 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 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 GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Jim and Linda Lee Performing Arts Center Annual Fund Balance and Administrative Fee Calculation is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Baker Tilly US, LLP

Tempe, Arizona
October 30, 2023

Yavapai College Foundation, Inc.

Statements of Financial Position

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 536,294	\$ 599,268
Restricted cash	457,634	363,363
Promises to give, current portion	1,150,515	536,375
Prepaid expenses	71,783	38,491
	<u>2,216,226</u>	<u>1,537,497</u>
Promises to Give, Net of Current Portion	<u>741,114</u>	<u>807,720</u>
Investments		
Endowments	20,169,361	16,353,389
Other	2,051,250	2,740,633
	<u>22,220,611</u>	<u>19,094,022</u>
Property and Equipment, Net	<u>23,084</u>	<u>30,097</u>
Beneficial Interest in Perpetual Trust	<u>476,442</u>	<u>462,236</u>
Total assets	<u>\$ 25,677,477</u>	<u>\$ 21,931,572</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 13,161	\$ 5,895
Accrued expenses	13,765	11,934
Due to Yavapai College	495,671	378,266
Scholarships payable	693,038	791,625
Deferred revenue	612,697	455,146
	<u>1,828,332</u>	<u>1,642,866</u>
Net Assets		
Without donor restrictions:		
Undesignated	212,553	211,934
Board designated	1,312,646	1,204,771
	<u>1,525,199</u>	<u>1,416,705</u>
With donor restrictions	<u>22,323,946</u>	<u>18,872,001</u>
Total net assets	<u>23,849,145</u>	<u>20,288,706</u>
Total liabilities and net assets	<u>\$ 25,677,477</u>	<u>\$ 21,931,572</u>

See notes to financial statements

Yavapai College Foundation, Inc.

Statement of Activities

Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Contributions, memberships and grants	\$ 67,558	\$ 3,365,207	\$ 3,432,765
Noncash contributions	63,242	500	63,742
Program service income	148,110	-	148,110
JLLPAC events	768,682	-	768,682
Investment return	296,751	1,948,618	2,245,369
Change in fair value of perpetual trust	-	14,206	14,206
Other income	(176)	-	(176)
Net assets released from purpose restrictions	<u>1,891,286</u>	<u>(1,891,286)</u>	<u>-</u>
	<u>3,235,453</u>	<u>3,437,245</u>	<u>6,672,698</u>
Special events:			
Revenues from special events	46,092	14,700	60,792
Costs of direct donor benefits	<u>(22,106)</u>	<u>-</u>	<u>(22,106)</u>
Gross profit on special events	<u>23,986</u>	<u>14,700</u>	<u>38,686</u>
Total revenue and other support	<u>3,259,439</u>	<u>3,451,945</u>	<u>6,711,384</u>
Operating Expenses			
Program expenses			
Grants and scholarships	612,590	-	612,590
JLLPAC events	838,589	-	838,589
Osher Endowment for Osher Lifelong Learning Institute	136,201	-	136,201
Foundation Auxiliaries	104,139	-	104,139
Other programs	<u>1,016,981</u>	<u>-</u>	<u>1,016,981</u>
Total program expenses	<u>2,708,500</u>	<u>-</u>	<u>2,708,500</u>
Supporting expenses:			
Administration	297,396	-	297,396
Fundraising	<u>145,049</u>	<u>-</u>	<u>145,049</u>
Total supporting expenses	<u>442,445</u>	<u>-</u>	<u>442,445</u>
Total operating expenses	<u>3,150,945</u>	<u>-</u>	<u>3,150,945</u>
Change in net assets	108,494	3,451,945	3,560,439
Net Assets, Beginning	<u>1,416,705</u>	<u>18,872,001</u>	<u>20,288,706</u>
Net Assets, Ending	<u>\$ 1,525,199</u>	<u>\$ 22,323,946</u>	<u>\$ 23,849,145</u>

See notes to financial statements

Yavapai College Foundation, Inc.

Statement of Activities

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Contributions, memberships and grants	\$ 57,862	\$ 3,047,615	\$ 3,105,477
Noncash contributions	86,352	-	86,352
Program service income	26,196	-	26,196
YCPAC events	548,949	-	548,949
Investment return	(484,238)	(2,805,507)	(3,289,745)
Change in fair value of perpetual trust	-	(52,964)	(52,964)
Other income	501	-	501
Net assets released from purpose restrictions	<u>1,855,896</u>	<u>(1,855,896)</u>	<u>-</u>
	<u>2,091,518</u>	<u>(1,666,752)</u>	<u>424,766</u>
Special events:			
Revenues from special events	18,088	8,398	26,486
Costs of direct donor benefits	<u>(8,455)</u>	<u>-</u>	<u>(8,455)</u>
Gross profit on special events	<u>9,633</u>	<u>8,398</u>	<u>18,031</u>
Total revenue and other support	<u>2,101,151</u>	<u>(1,658,354)</u>	<u>442,797</u>
Operating Expenses			
Program expenses			
Grants and scholarships	710,472	-	710,472
YCPAC events	992,568	-	992,568
Osher Endowment for Osher Lifelong Learning Institute	155,769	-	155,769
Foundation Auxiliaries	31,275	-	31,275
Other programs	<u>428,908</u>	<u>-</u>	<u>428,908</u>
Total program expenses	<u>2,318,992</u>	<u>-</u>	<u>2,318,992</u>
Supporting expenses:			
Administration	311,895	-	311,895
Fundraising	<u>140,499</u>	<u>-</u>	<u>140,499</u>
Total supporting expenses	<u>452,394</u>	<u>-</u>	<u>452,394</u>
Total operating expenses	<u>2,771,386</u>	<u>-</u>	<u>2,771,386</u>
Change in net assets	(670,235)	(1,658,354)	(2,328,589)
Net Assets, Beginning	<u>2,086,940</u>	<u>20,530,355</u>	<u>22,617,295</u>
Net Assets, Ending	<u>\$ 1,416,705</u>	<u>\$ 18,872,001</u>	<u>\$ 20,288,706</u>

See notes to financial statements

Yavapai College Foundation, Inc.Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services		Direct Donor Benefit	Total
		Management and General	Fundraising		
Operating expenses:					
Gifts to Yavapai College	\$ 1,397,750	\$ -	\$ -	\$ -	\$ 1,397,750
Scholarships and awards	612,590	-	-	-	612,590
Contracted services	102,116	200,477	139,513	-	442,106
Legal fees	-	1,455	-	-	1,455
Accounting expenses	-	19,600	-	-	19,600
Talent fees	395,262	-	-	-	395,262
Other professional fees	9,667	7,500	-	-	17,167
Office supplies	5,475	3,202	133	-	8,810
Food and catering	13,823	84	1,786	-	15,693
Computer supplies and software	37,500	15,939	-	-	53,439
Donor recognition	53,733	-	-	-	53,733
Travel expenses	627	2,604	-	-	3,231
Conference and meeting expense	-	9,770	-	-	9,770
Meals and entertainment	(164)	2,266	3,069	-	5,171
Professional development	-	2,076	-	-	2,076
Dues and subscriptions	-	540	-	-	540
Depreciation	-	7,013	-	-	7,013
Bank and credit card fees	62,638	-	-	-	62,638
Facilities expense	-	23,408	-	-	23,408
Equipment expense	7,747	-	-	-	7,747
Licenses and fees	6,050	-	-	-	6,050
Printing	2,861	1,315	211	-	4,387
Cost of events	-	-	-	22,106	22,106
Miscellaneous expenses	30	38	-	-	68
Postage	795	36	337	-	1,168
Books and subscriptions	-	73	-	-	73
Total operating expenses	2,708,500	297,396	145,049	22,106	3,173,051
Amounts reported in total revenue:					
Direct donor benefit	-	-	-	(22,106)	(22,106)
Total operating expenses	\$ 2,708,500	\$ 297,396	\$ 145,049	\$ -	\$ 3,150,945

See notes to financial statements

Yavapai College Foundation, Inc.Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services		Direct Donor Benefit	Total
		Management and General	Fundraising		
Operating expenses:					
Gifts to Yavapai College	\$ 1,113,054	\$ -	\$ -	\$ -	\$ 1,113,054
Scholarships and awards	710,472	-	-	-	710,472
Contracted services	99,485	176,782	136,097	-	412,364
Legal fees	-	2,000	-	-	2,000
Accounting expenses	-	18,750	-	-	18,750
Talent fees	309,637	-	-	-	309,637
Other professional fees	5,786	10,940	-	-	16,726
Office supplies	4,231	2,906	-	-	7,137
Food and catering	9,284	381	-	-	9,665
Computer supplies and software	-	44,265	-	-	44,265
Donor recognition	1,065	10,833	-	-	11,898
Travel expenses	196	1,049	-	-	1,245
Conference and meeting expense	-	10,567	-	-	10,567
Meals and entertainment	1,369	691	3,454	-	5,514
Professional development	-	30	-	-	30
Dues and subscriptions	-	1,260	-	-	1,260
Depreciation	-	4,967	-	-	4,967
Bank and credit card fees	50,414	-	-	-	50,414
Facilities expense	420	22,775	-	-	23,195
Licenses and fees	6,104	-	-	-	6,104
Printing	2,721	1,848	745	-	5,314
Cost of events	-	-	-	8,455	8,455
Miscellaneous expenses	4,095	1,195	-	-	5,290
Postage	659	182	203	-	1,044
Books and subscriptions	-	474	-	-	474
Total operating expenses	2,318,992	311,895	140,499	8,455	2,779,841
Amounts reported in total revenue:					
Direct donor benefit	-	-	-	(8,455)	(8,455)
Total operating expenses	<u>\$ 2,318,992</u>	<u>\$ 311,895</u>	<u>\$ 140,499</u>	<u>\$ -</u>	<u>\$ 2,771,386</u>

See notes to financial statements

Yavapai College Foundation, Inc.

Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 3,560,439	\$ (2,328,589)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,013	4,967
Noncash contribution of property and equipment	-	(35,064)
Donated stock	(10,118)	(30,946)
Change in fair value of perpetual trust	(14,206)	52,964
Net realized and unrealized (gains) losses on investments	(1,774,117)	3,770,193
(Increase) decrease in:		
Promises to give	(547,534)	(1,007,735)
Prepaid expenses	(33,292)	705
Increase (decrease) in:		
Accounts payable	7,266	2,359
Accrued expenses	1,831	2,311
Due to Yavapai College	117,405	195,865
Scholarship payable	(98,587)	21,896
Deferred revenue	157,551	402,219
	<u>1,373,651</u>	<u>1,051,145</u>
Net cash from operating activities		
Cash Flows From Investing Activities		
Purchases of investments	(3,424,425)	(928,850)
Proceeds from sales of investments	2,082,071	436,193
	<u>(1,342,354)</u>	<u>(492,657)</u>
Net cash from investing activities		
Net increase (decrease) in cash and cash equivalents	31,297	558,488
Cash and Cash Equivalents, Beginning	<u>962,631</u>	<u>404,143</u>
Cash and Cash Equivalents, Ending	<u>\$ 993,928</u>	<u>\$ 962,631</u>
Reconciliation of Cash and Cash Equivalents to Statements of Financial Position		
Cash and cash equivalents	\$ 536,294	\$ 599,268
Restricted cash	457,634	363,363
	<u>\$ 993,928</u>	<u>\$ 962,631</u>
Total cash and cash equivalents		

See notes to financial statements

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Yavapai College Foundation, Inc. (the Foundation) was formed in 1971 as an Arizona not-for-profit corporation. The Foundation's mission and purpose is to support the programs and activities of Yavapai College (the College). The Foundation supports student scholarships, faculty development and programs that enrich both campus and community life.

The major activities of the Foundation include providing scholarships to college students, capital additions to the College, administrative and financial services to the Jim and Linda Lee Performing Arts Center (JLLPAC) program for the College, and financial resources for many academic, career and technical education programs offered at the College. Resources to fund these activities are provided mainly from investment income, contributions, and grants.

The bylaws of the Foundation allow for the creation of auxiliaries when a group of people demonstrate a need and desire to support the Foundation's mission in a particular area of interest. There are two auxiliaries as follows:

FRIENDS of the Family Enrichment Center - The purpose of this group is to support and raise funds for the Family Enrichment Center (FEC). The FEC offers quality learning experiences to a diverse group of children while providing invaluable teacher training to the College's early and elementary education students.

FRIENDS of the Southwest Wine Center - The purpose of this group is to support the viticulture and enology program.

In addition, program expenses include activities relating to the following fund:

Performing Arts Center - The Performing Arts Charitable Endowment (PACE), through its annual disbursements, makes it possible to continue to offer spectacular seasons of music, dance and theater in the Jim and Linda Lee Performing Arts Center.

Basis of Accounting and Financial Statement Presentation

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.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for the purchases and sales of investments and are excluded from this definition. Cash and money market funds held in investment accounts are included as investments instead of cash as they are considered to be part of the investment pool. Included in restricted cash are amounts relating to JLLPAC which is required to be maintained in a separate bank account.

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. 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 recorded at the present value of their estimated future cash flows. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Foundation records a specific reserve to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed to be uncollectible. Promises to give at June 30, 2023 and 2022 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are recorded at cost if purchased or approximate fair value if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property and equipment.

Major additions and improvements are capitalized. Maintenance and repairs, which do not extend the useful lives, are charged to expense as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and related gains and losses are included in operations.

Fair Value Measurements

Accounting Standards establish a framework for measuring fair value which provides fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Accounting Standards are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Foundation's own assumptions that market participants would use in pricing the assets (i.e., real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Yavapai College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Investments

Investments are recorded at fair value as determined by quoted prices in active markets or other valuation inputs. Investment income or loss is included in the change in net assets without donor restrictions, on the statements of activities, unless restricted by donor or law. Investment income or loss consists of interest and dividend income and realized and unrealized gains and losses, less external investment expenses.

The Foundation invests most of the endowments in an investment pool which is managed by an investment advisor to the Foundation. Investment return and investment fees within the investment pool are allocated monthly to the individual funds based on the relationship of the market value of each fund to the total market value of the pool as adjusted for additions to or distributions from those funds.

Risks and Uncertainty

The Foundation invests in various types of investments which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes, could materially affect the amount reported in the statements of financial position.

Endowment Funds

The Foundation's endowment funds consist of approximately 180 funds established for a variety of purposes. The endowment funds include both endowment funds restricted by donors and funds designated by the Board of Directors as endowments. Net assets associated with these endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Foundation to spend an amount that is prudent, consistent with the purposes of the funds, relevant economic factors and the donor's intent that the funds continue in perpetuity.

The Foundation classifies as net assets with donor restrictions (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. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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) the Foundation's other resources, and (7) the Foundation's investment policies.

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for programs 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. The Foundation's primary objective is to obtain the best possible return on investments with the appropriate degree of risk and to meet the priorities of the Foundation and Yavapai College over time. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce results that exceed the price and yield results of a custom index made up of approximately 70% equities and 30% fixed income. Actual returns may vary from year to year. 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.

Spending Policy. The Foundation appropriates for distribution each year up to 4% of its endowment funds' average fair value of the prior 28 quarters through December 31 for any funds that are above the historic dollar value. The Foundation may elect, on a case-by-case basis, to approve an allocation expenditure in excess of 4% but not exceeding 7% for selected funds. In establishing this practice, the Foundation considers 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 practice to allow its endowment funds to grow over time as described above.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated from net assets without donor restrictions, net assets for operating reserves, auxiliary operations and board designated endowments.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Contributions

Contributions received are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor-imposed 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 statements of activities as net assets released from restrictions.

Yavapai College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Noncash Contributions

Donated materials and rent are recorded at their estimated fair value upon receipt. Contributions of nonmonetary items that are converted to cash within a short period of time are recorded as contribution income in the statements of activities.

Contributions of donated services are recorded at fair value if they create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services. For the years ended June 30, 2023 and 2022, the Foundation received the benefit of service from 49 and 65 volunteers, respectively, which has not been recorded in the accompanying financial statements as it does not meet the recognition criteria.

Revenue Recognition

The revenue from ticket sales for JLLPAC events consists of a single performance obligation to transfer promised services for those events. Ticket sales revenue is received and recognized in the period that the related event takes place. Any amounts from ticket sales received in advance of the period of the event are recorded as a contract liability (deferred revenue) on the accompanying statements of financial position. Ticket sales (net of related fees) for external events presented in the JLLPAC (rental shows) received in advance of the period of the event are recorded as due to Yavapai College on the accompanying statements of financial position.

The beginning and ending contract balances were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred revenue	\$ 612,697	\$ 455,146	\$ 52,927

Scholarship Expense and Scholarships Payable

Each February, the Foundation's Finance Committee determines the amount of income available to be transferred to the College's Financial Aid Office for scholarships. Committed scholarship funds are expensed for financial statement purposes when the funds are committed to the College for making awards. The College's Financial Aid Office is responsible for determining student eligibility and qualifications under the various scholarship funds and provides the Foundation with a detail of total scholarship funds awarded. All committed funds may not be awarded during the subsequent year due to lack of student eligibility. Any unused scholarship funds may be carried forward to the subsequent year. Consequently, scholarship expense for a particular period may not reflect the actual amount available for scholarships. Scholarship funds available to be awarded at June 30, 2023 and 2022 amounted to \$693,038 and \$791,625, respectively.

Functional Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between program services and supporting services. Expenses are charged to program and supporting services on the basis of time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

Income Taxes

The Foundation is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been classified as a Foundation that is not a private foundation under Section 509(a)(2).

The Foundation recognizes uncertain tax positions in the financial statements when it is more-likely-than-not the positions will not be sustained upon examination by the tax authorities. As of June 30, 2023 and 2022, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Foundation recognizes interest and penalties associated with income taxes in operating expenses. During the years ended June 30, 2023 and 2022, the Foundation did not have any income tax related interest and penalty expense.

Use of Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Date of Management's Review

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 30, 2023, the date the financial statements were available to be issued.

2. Liquidity and Availability

The Foundation is substantially supported by donations restricted by donors. Because a donor's restrictions require resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors.

The Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. It manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability;
2. Maintaining adequate liquid assets, and;
3. Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Finance Committee (the Committee) meets at least quarterly, and annually reviews and approves a 12-month budget and scholarship allocations for the next fiscal/academic year. The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual administrative, general, and fundraising expenses plus an amount that represents the next expected payment for annual scholarship commitments approved by the Committee. The Foundation has a goal to maintain financial assets *on hand*, (in the form of cash and short-term investments) to meet 90 days of normal operating expenses, which are, on average, approximately \$250,000. It invests cash in excess of daily requirements in short-term investments.

Yavapai College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Occasionally, the Foundation's Board of Directors designates a portion of any operating surplus to its liquidity reserve, which was \$375,000 as of June 30, 2023 and 2022. This is a fund established by the board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Foundation also could draw upon its quasi-endowment fund. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

The following table shows the total financial assets held by the Foundation that are available for expenditure in the following year as of June 30:

	<u>2023</u>	<u>2022</u>
Total current assets	\$ 2,216,226	\$ 1,537,495
Investments	<u>22,220,611</u>	<u>19,094,022</u>
Total financial assets	24,436,837	20,631,517
Adjustments to financial assets:		
Restricted cash	(457,634)	(363,363)
Prepaid expenses	(71,783)	(38,491)
Board designated net assets	(1,312,646)	(1,204,771)
Permanently restricted endowments	(18,149,315)	(14,507,056)
Term endowments	(1,111,353)	(1,046,084)
Estimated expenditure appropriation	<u>710,000</u>	<u>650,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,044,106</u>	<u>\$ 4,121,752</u>

3. Concentrations of Credit Risk

Financial instruments that subject the Foundation to potential concentrations of credit risk consist principally of cash and cash equivalents, investments, and promises to give.

The Foundation maintains its cash in bank accounts, which at times may exceed federally insured limits. The Foundation also maintains cash in accounts with stock brokerage firms that includes both cash and securities. Balances in stock brokerage accounts are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and investment balances.

At June 30, 2023, 97% of gross promises to give was due from three donors whose individual balance makes up 10% or more of the gross promises to give balance. At June 30, 2022, 97% of gross promises to give was due from two donors whose individual balance makes up 10% or more of the gross promises to give balance. Concentrations of credit risk with respect to promises to give are limited due to the collection history with these donors and foundations.

Yavapai College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

4. Restricted Cash for the Jim and Linda Lee Performing Arts Center

The Foundation entered into a Memorandum of Understanding with the College whereby the Foundation receives revenues from ticket sales, outside grants and contributions and pays specific costs, such as talent fees and other direct talent costs associated with JLLPAC events promoted by the College. The Foundation is required to maintain a separate bank account to process the above transactions. This account may not exceed \$50,000 after calculation of total income and expense amounts for the JLLPAC events on an annual basis. Any amounts in excess of \$50,000 for each of the years ended June 30, 2023 and 2022 will revert to the College. There was an exception for June 30, 2022 as there were additional amounts totaling \$50,919 that the Foundation was instructed to maintain until the next fiscal year. As such, this amount remained in the bank account at June 30, 2022 and was not included in the amount due to the College at year-ended 2022.

The annual calculation of the payment to the College is included as a supplemental schedule to these financial statements. At June 30, 2023 and 2022, total cash restricted for the JLLPAC amounted to \$457,634 and \$363,363, respectively. The amount due to the College for excess funds in the JLLPAC bank account was \$407,634 and \$262,444 at June 30, 2023 and 2022, respectively. These amounts are included in Due to Yavapai College on the accompanying statements of financial position.

5. Promises to Give

Promises to give consists of the following unconditional promises at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,150,515	\$ 536,375
Receivable in two to five years	741,114	807,720
	1,891,629	1,344,095
Current portion	<u>(1,150,515)</u>	<u>(536,375)</u>
Promises to give, net of current portion	<u>\$ 741,114</u>	<u>\$ 807,720</u>

6. Property and Equipment

During the year ended June 30, 2022, the Foundation received a donation of a vehicle. The vehicle was recorded as a fixed asset in the amount of \$35,064. Accumulated depreciation was \$11,980 and \$4,967 at June 30, 2023 and 2022, respectively. Depreciation expense related to this vehicle amounted to \$7,013 and \$4,967 for the years ended June 30, 2023 and 2022, respectively.

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

7. Investments

The following is a summary of the value of investments at June 30:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 236,003	\$ -
Fixed income	6,201,329	5,604,012
Equity funds	9,705,471	8,354,872
International equity funds	6,077,808	5,135,138
	<u>\$ 22,220,611</u>	<u>\$ 19,094,022</u>

The following schedule summarizes the investment return for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 496,769	\$ 508,050
Net realized gains	295,574	149,425
Net unrealized gains (losses)	1,478,543	(3,919,618)
Income distribution from perpetual trust	27,090	17,378
Investment fees	(52,607)	(44,980)
	<u>\$ 2,245,369</u>	<u>\$ (3,289,745)</u>

The substantial changes in realized and unrealized gains and losses are more a reflection of market timing issues than a significant change in investment policies.

8. Fair Value of Financial Instruments

Investments with readily determinable fair values are measured at fair value in the statements of financial position as determined by quoted market prices in active markets (Level 1) or measured based on prices for identical assets in nonactive markets (Level 3).

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 236,003	\$ -	\$ -	\$ 236,003
Fixed income	6,201,329	-	-	6,201,329
Equity funds	9,705,471	-	-	9,705,471
International equity funds	6,077,808	-	-	6,077,808
Total investments	22,220,611	-	-	22,220,611
Beneficial interest in perpetual trust	-	-	476,442	476,442
	<u>\$ 22,220,611</u>	<u>\$ -</u>	<u>\$ 476,442</u>	<u>\$ 22,697,053</u>

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 5,604,012	\$ -	\$ -	\$ 5,604,012
Equity funds	8,354,872	-	-	8,354,872
International equity funds	5,135,138	-	-	5,135,138
Total investments	19,094,022	-	-	19,094,022
Beneficial interest in perpetual trust	-	-	462,236	462,236
	<u>\$ 19,094,022</u>	<u>\$ -</u>	<u>\$ 462,236</u>	<u>\$ 19,556,258</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level 3 input during the years ended June 30:

Balance at June 30, 2021	\$ 515,200
Change in fair value	(52,964)
Balance at June 30, 2022	462,236
Change in fair value	14,206
Balance at June 30, 2023	<u>\$ 476,442</u>

9. Beneficial Interest in Perpetual Trust

The Foundation is the income beneficiary of a perpetual trust. The trust funds are held and controlled by a third-party trustee. The Foundation is entitled to a specified percentage of the annual income distributions from the trust as defined in the trust agreement. The Foundation has estimated the fair value of its beneficial interest in the trust at June 30, 2023 and 2022 based upon the Foundation's respective interest in the value of the underlying assets held by the trust. During the years ended June 30, 2023 and 2022, the Foundation recognized a change in the fair value of its beneficial interest in the trust in the amount of \$14,206 and \$(52,964), respectively. For the years ended June 30, 2023 and 2022, distributions from the perpetual trust totaled \$27,090 and \$17,378, respectively, and are included in investment return on the accompanying statements of activities.

10. Board Designated Net Assets Without Donor Restrictions

The Foundation's Board of Directors has chosen to designate certain amounts of net assets without donor restrictions as follows:

	<u>2023</u>	<u>2022</u>
Operating reserve	\$ 375,000	\$ 375,000
Auxiliaries operations	28,954	29,522
Board designated endowment	908,692	800,249
	<u>\$ 1,312,646</u>	<u>\$ 1,204,771</u>

Yavapai College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The above board-designated net assets without donor restrictions include a general operating reserve, a designation of funds for auxiliary operations, and a board-designated fund (quasi-endowment fund) for career and technical education scholarships. The capital of this endowment is invested, and the investment earnings are used to provide scholarships to students in these programs at the College.

11. Endowment Funds

Endowment funds include funds restricted in perpetuity by the donors, funds restricted for a specified period (term endowments) and a board designated fund. As of June 30, 2023, there were 13 funds that were underwater for a total of \$31,521. As of June 30, 2022, there were 26 funds that were underwater for a total of \$78,486.

Endowment net asset composition at June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Funds</u>
Board designated fund	\$ 908,693	\$ -	\$ 908,693
Donor restricted funds:			
Permanently restricted funds	-	18,149,315	18,149,315
Term endowment funds	-	1,111,353	1,111,353
	<u>\$ 908,693</u>	<u>\$ 19,260,668</u>	<u>\$ 20,169,361</u>

Endowment net asset composition at June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Funds</u>
Board designated fund	\$ 800,249	\$ -	\$ 800,249
Donor restricted funds:			
Permanently restricted funds	-	14,507,056	14,507,056
Term endowment funds	-	1,046,084	1,046,084
	<u>\$ 800,249</u>	<u>\$ 15,553,140</u>	<u>\$ 16,353,389</u>

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

Changes in endowment funds are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Funds
Balance, June 30, 2021	\$ 940,615	\$ 18,105,807	\$ 19,046,422
Contributions	-	1,024,040	1,024,040
Board designations	2,969	10,450	13,419
Interest and dividend income	20,939	422,556	443,495
Realized gains	6,184	123,523	129,707
Unrealized gains	(160,643)	(3,245,791)	(3,406,434)
Amounts appropriated for expenditure	(9,815)	(887,445)	(897,260)
Balance, June 30, 2022	800,249	15,553,140	16,353,389
Contributions	-	2,576,561	2,576,561
Board designations	16,603	(14,274)	2,329
Interest and dividend income	19,113	398,675	417,788
Realized gains	11,834	247,140	258,974
Unrealized gains	59,718	1,263,432	1,323,150
Amounts appropriated for expenditure	1,176	(764,006)	(762,830)
Balance, June 30, 2023	<u>\$ 908,693</u>	<u>\$ 19,260,668</u>	<u>\$ 20,169,361</u>

Amounts appropriated for expenditure from the donor restricted endowment funds include the following at June 30:

	<u>2023</u>	<u>2022</u>
Scholarship awards	\$ 195,484	\$ 329,163
Disbursement from Osher Endowment for Osher Lifelong Learning Institute	136,201	155,769
Administrative fees	215,334	240,598
PACE disbursement to support YCPAC	82,570	77,477
Disbursement from the Worth & May Mallory FEC Endowment	13,976	12,835
Disbursement from the LeGate Chair fund	25,000	25,000
Investment manager fees	44,737	37,289
Credit card processing fees	1,950	3,618
Other program support	48,754	5,696
Total	<u>\$ 764,006</u>	<u>\$ 887,445</u>

Yavapai College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

12. Net Assets With Donor Restrictions

Net assets with donor restriction consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Endowment funds:		
Portion of perpetual endowment funds that is required to be retained permanently	\$ 14,940,059	\$ 12,431,630
Term endowment funds subject to purpose restriction	1,111,353	1,046,084
Investment income subject to time restriction under MCFA	<u>3,209,256</u>	<u>2,075,426</u>
	<u>19,260,668</u>	<u>15,553,140</u>
Purpose restricted:		
Scholarships (non-endowed)	668,067	750,736
Various programs and activities at the College	1,918,769	2,105,888
Beneficial interest in perpetual trust	<u>476,442</u>	<u>462,237</u>
	<u>3,063,278</u>	<u>3,318,861</u>
Total net assets with donor restrictions	<u>\$ 22,323,946</u>	<u>\$ 18,872,001</u>

13. Noncash Contributions

The Foundation received the following contributions of nonfinancial assets for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Vehicle	\$ -	\$ 35,064
Professional services	500	-
Equipment and supplies	40,730	32,293
Office space	<u>22,512</u>	<u>18,995</u>
	<u>\$ 63,742</u>	<u>\$ 86,352</u>

All donated services and assets were utilized by the Foundation's programs and supporting services. There were no donor-imposed restrictions associated with the donated assets and office space.

The contributed vehicle and donated office space received is to be used for general and administrative activities. Donated space is valued at fair value which is estimated using the average price per square foot of rental listings in the Foundation's service area. The Foundation estimated the fair value of the contributed vehicle by utilizing Kelly Blue Book to search for comparable sales prices.

Contributed equipment and supplies received by the Foundation are to be used for various college program activities. The Foundation estimated the fair value on the basis of estimates of wholesale value that would be received for selling similar products.

Yavapai College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

14. Related-Party Transactions

The Foundation's staff are employees of the College. The Foundation reimburses the College for a portion of the payroll expense of the Foundation's Executive Director, Director of Finance and Operations, and various other positions. Other College employees assist the Foundation and the Foundation is not charged for their services. No amounts have been recorded for these non-reimbursed payroll costs as the services are deemed to be solely for carrying out the operations of the College activities. In addition, the President of the College, the Vice-President of Finance and Administrative Services, and Vice-President of Community Relations and Student Development are voting members of the Foundation's Board of Directors. Other College employees, by virtue of their position, provide advisory services within the Foundation. As a result, the College has significant input regarding the operations and goals of the Foundation.

Yavapai College Foundation, Inc.

Jim and Linda Lee Performing Arts Center Events
Annual Fund Balance And Administrative Fee Calculation
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Fund Balance		
Cash Receipts		
Contributions and sponsorships	\$ 145,290	\$ 227,823
Ticket sales	768,681	548,949
Investment income	-	-
	<u>913,971</u>	<u>776,772</u>
Total cash receipts		
Program Cash Disbursements		
Talent fees	395,262	309,636
Entertainment licensing fees	6,050	5,698
Other professional fees	-	-
Food costs	-	-
Supplies	-	363
Printing	-	-
Postage	-	-
Rent	-	420
Equipment rental	-	-
Travel and lodging	-	-
Other expenses	-	-
Administrative fee (see below)	18,795	19,625
Bank fees and service charges	55,852	40,917
	<u>475,959</u>	<u>376,659</u>
Total program cash disbursements		
Net addition (decrease) to fund balance	438,012	400,113
Fund Balance, Beginning	100,919	50,000
Interim Transfer of Funds	<u>(81,297)</u>	<u>(86,750)</u>
Current fund balance (restricted cash)	457,634	363,363
Maximum Fund Balance	<u>(50,000)</u>	<u>(100,919)</u>
Payable to Yavapai College	<u>\$ 407,634</u>	<u>\$ 262,444</u>
Administrative Fee		
Total cash revenues	\$ 768,681	\$ 548,949
Total cash donations	145,290	227,823
Total cash receipts	<u>913,971</u>	<u>776,772</u>
Applicable percentage on revenue	1.5%	1.5%
Applicable percentage on donations	5.0%	5.0%
	<u>\$ 18,795</u>	<u>\$ 19,625</u>
Administrative fee		