MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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FINANCIAL STATEMENTS

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

We have audited the accompanying financial statements of ***Maricopa County Community College District Foundation*** (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Maricopa County Community College District Foundation*** as of June 30, 2020, and the change 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.

Mayer Hoffman McCann P.C.

September 21, 2020

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CASH AND CASH EQUIVALENTS	$ 1,566,927
PLEDGES RECEIVABLE, net of discount and allowance	600,492
INVESTMENTS	42,076,212
CASH HELD FOR ENDOWMENT PURPOSES	928,731
CASH SURRENDER VALUE OF LIFE INSURANCE	261,441
OTHER ASSETS	31,528
TOTAL ASSETS	$ 45,465,331

LIABILITIES AND NET ASSETS

ACCOUNTS AND SCHOLARSHIPS PAYABLE	$ 664,925
CHARITABLE GIFT ANNUITY LIABILITY	297,119
DEFERRED REVENUE	184,700
TOTAL LIABILITIES	1,146,744
NET ASSETS	
Without donor restrictions	2,675,566
With donor restrictions	41,643,021
TOTAL NET ASSETS	44,318,587
TOTAL LIABILITIES AND NET ASSETS	$ 45,465,331

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ -	$ 3,489,680	$ 3,489,680
Contributed space and services	1,194,247	-	1,194,247
Investment return	614,842	(543,533)	71,309
Change in cash surrender value of life insurance	-	(30,643)	(30,643)
Net assets released from restrictions	3,904,296	(3,904,296)	-
TOTAL SUPPORT AND REVENUE	5,713,385	(988,792)	4,724,593
EXPENSES AND GAINS			
Program support	980,156	-	980,156
Scholarship expenses	2,778,461	-	2,778,461
Salaries, wages, and benefits	1,039,282	-	1,039,282
Office space	154,965	-	154,965
Professional services	179,356	-	179,356
Office expenses	40,888	-	40,888
Information technology	102,383	-	102,383
Community engagement	84,061	-	84,061
Other expenses	38,670	-	38,670
Total expenses	5,398,222	-	5,398,222
Gain on uncollectible pledges	-	112,307	112,307
TOTAL EXPENSES AND GAINS	5,398,222	(112,307)	5,285,915
CHANGE IN NET ASSETS	315,163	(876,485)	(561,322)
NET ASSETS, BEGINNING OF YEAR	2,360,403	42,519,506	44,879,909
NET ASSETS, END OF YEAR	$ 2,675,566	$ 41,643,021	$ 44,318,587

See Notes to Financial Statements

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

					Supporting Services		
	General/ Academic	Special Populations	Workforce Development	Total Programs	Management & General	Fundraising	Total
Program support	$ 462,534	$ 417,494	$ 100,128	$ 980,156	$ -	$ -	$ 980,156
Scholarship expenses	1,706,613	800,602	271,246	2,778,461	-	-	2,778,461
Salaries, wages, and benefits	-	-	-	-	616,758	422,524	1,039,282
Office space	-	-	-	-	154,965	-	154,965
Professional services	-	-	-	-	179,356	-	179,356
Office expenses	-	-	-	-	40,888	-	40,888
Information technology	-	-	-	-	102,383	-	102,383
Community engagement	-	-	-	-	-	84,061	84,061
Other expenses	-	-	-	-	38,670	-	38,670
TOTAL EXPENSES	$ 2,169,147	$ 1,218,096	$ 371,374	$ 3,758,617	$ 1,133,020	$ 506,585	$ 5,398,222

See Notes to Financial Statements

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (561,322)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized/unrealized investment losses	863,166
Gain on uncollectable pledges	(112,307)
Change in discount on pledges receivable	(74,880)
Contributions restricted for endowment	(929,724)
Decrease in cash surrender value of life insurance	30,643
Change in charitable gift annuity liability	6,325
Change in deferred revenue	184,700
Changes in operating assets and liabilities:	
Decrease in pledges receivable	1,542,567
Increase in other assets	(6,373)
Decrease in accounts and scholarships payable	(135,220)
Net cash provided by operating activities	807,575
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(21,506,834)
Proceeds from sales of investments	20,850,837
Net cash used in investing activities	(655,997)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for endowment	964,252
Net cash provided by financing activities	964,252
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,115,830
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	1,379,828
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	$ 2,495,658
Cash and cash equivalents	1,566,927
Cash held for endowment purposes	928,731
Total cash and cash equivalents, and restricted cash	$ 2,495,658

(1) Foundation operations and summary of significant accounting policies

Nature of operations – The ***Maricopa County Community College District Foundation*** ("Foundation") was incorporated in 1976 under the laws of the state of Arizona. The Foundation's purpose is to solicit private contributions to support the students and programs of the Maricopa County Community College District ("District"). The Foundation acts as trustee for private donations to assure that contributions are distributed in the manner specified by the donor. The Foundation also supports the formation of new academic programs, instructional innovations, and facilities.

The significant accounting policies followed by the Foundation are as follows:

The Financial Accounting Standards Board ("FASB") sets accounting principles generally accepted in the United States of America ("GAAP") to ensure consistent reporting. References to GAAP are to the FASB *Accounting Standards Codification* ("FASB ASC").

Basis of presentation – The financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Foundation is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Foundation maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

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

Management's 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

(1) Foundation operations and summary of significant accounting policies (continued)

Contributions – The Foundation adopted the amendments of FASB Accounting Standards Update ("ASU") No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective July 1, 2019 on a modified prospective basis for contributions received. ASU 2018-08 clarifies the characterization of grants as either reciprocal transaction (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provides additional guidance to distinguish between conditional and unconditional contributions. In accordance with ASU 2018-08, the Foundation evaluates grants and contributions for evidence of the transfer of commensurate value from the Foundation to the grantor or resource provider. The transfer of commensurate value from the Foundation to the grantor or resource provider may include instances when a) the goods or services provided by the Foundation directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Foundation. When such factors exist, the Foundation accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Foundation accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Foundation to the resource provider, the Foundation evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Foundation or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Foundation and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Foundation to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Foundation recognizes amounts received from unconditional contributions at the time the Foundation receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Foundation.

The Foundation accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. 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 statement of activities and change in net assets as net assets released from restrictions.

Approximately $166,000 in contributions were received from members of the Board of Directors and Foundation staff during the year ended June 30, 2020. Approximately $ 1,000 of pledges receivable are due from Board Members and Foundation staff as of June 30, 2020.

As of June 30, 2020, approximately 60% of the Foundation's unconditional promises to give were due from two donors.

(1) Foundation operations and summary of significant accounting policies (continued)

Contributions received without donor restrictions are distributed as scholarships, as designated by the Board of Directors of the Foundation, or used to further the objectives of the Foundation and to secure current or future endowments through fundraising activities and programs. Contributions received with donor restrictions are distributed according to donor specification, generally as scholarships to attendees of Maricopa County Community Colleges or to support programs and projects to advance these colleges. Contributions received with donor restrictions that are perpetual in nature require the principal be invested in perpetuity; the distributable income from the related investments is reflected as net assets with donor restrictions in the statement of activities and change in net assets as specified by the donor.

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Foundation's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Change in donor intent – From time to time, the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests may result in the reclassification of net assets between net assets with donor restrictions and net assets without donor restrictions.

Administration fees – The Foundation charges an administration fee to defray part of the cost of managing restricted accounts held by the Foundation. A fee of 2% is charged on all new gifts, except endowment gifts. On January 1st of each year, an investment management fee of 200 basis points is charged on all accounts. This fee is not charged to endowment funds, if doing so would reduce the fund below its corpus. During the year ended June 30, 2020, the Board of Directors approved a transfer of operational reserves of $446,379 to effectively offset administration fees charged to the funds. Total fees of $592,058 were charged by the Foundation, and this resulted in the net assets of $145,679 to be released from restriction for the year ended June 30, 2020.

Special event – The Foundation conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at the special event is measured at the actual cost to the Foundation. The direct costs of the special event, which ultimately benefit the donor rather than the Foundation, are recorded as cost of direct donor benefits. Revenues collected but not yet earned by the Foundation as of June 30, 2020 are recorded as deferred revenue.

(1) Foundation operations and summary of significant accounting policies (continued)

Donated materials, facilities and services – Donated materials are reflected as contributions in the statement of activities and change in net assets at their estimated fair value at the date of receipt. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of FASB ASC 958-605.

Investments – The Foundation accounts for its investments in accordance with FASB ASC 958-321, Not-for-Profit Entities – Investments – Equity Securities and FASB ASC 958-325, Not-for-Profit Entities – Investments – Other. In accordance with FASB ASC 958-320, the Foundation carries its investments in equity securities that have readily determinable fair values, at fair value. In accordance with FASB ASC 958-325, the Foundation has elected to carry its other investments at fair value.

The combined individual funds participate in a common equity investment pool (the “Pool”) by contributing their investable assets and receiving an ownership interest in the Pool. The ownership interest in the Pool is based on the ratio of the market value of the individual fund’s investable assets to the total market value of the Pool. The ratio is used to allocate earnings activities among individual general and endowment funds.

Investment return (including interest, dividends, unrealized gains and losses, and realized gains and losses on investments, and investment fees) is included in operations.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Functional expenses – The costs of providing various program support and supporting services have been summarized on a functional basis in the statements of activities and change in net assets. The statement of functional expenses presents the expenses by function and nature. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of personnel activity and other appropriate allocation methods. Expenses that are allocated include salaries, wages, and benefits that are allocated by time and effort. General and administrative 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 and are allocated based on personnel activity or other appropriate indicators.

(1) Foundation operations and summary of significant accounting policies (continued)

Fair value measurement – FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied under GAAP requiring the use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

Income tax status – The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes for the entity. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 of the Code and has been deemed not to be a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. Management believes that none of the income in 2020 is UBTI.

The Foundation evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. The Foundation's federal Return of Organization Exempt from Income Tax (Form 990) for the fiscal years 2017, 2018 and 2019 are subject to examination by the IRS generally for three years after they were filed. As of the date of this report, the fiscal 2020 returns had not yet been filed.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

(1) Foundation operations and summary of significant accounting policies (continued)

In August 2015, the FASB issued FASB ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Foundation adopted this standard as of July 1, 2019, using a modified retrospective approach, and the guidance is applied to the most current period presented, recognizing the cumulative effect of the adoption change as an adjustment to beginning net assets. The timing of revenue recognition was not affected by the adoption of Topic 606. As a result, there were no adjustment to net assets as of July 1, 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 in which an entity is the resource recipient is effective for annual periods beginning after December 15, 2018. The amendments of ASU 2018-08 in which the entity is the resource provider is effective for annual periods beginning after December 31, 2019. Early adoption is permitted. The Foundation adopted the amendments of the ASU for which the Foundation is the resource recipient during 2020 using the modified prospective approach. There was no impact on the Foundation's financial statements as a result of adoption. The Foundation is currently evaluating the effect that the adoption of the amendments of the ASU in which the Foundation is the resource provider will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and change in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Foundation is currently evaluating the effect that the adoption of this standard will have on the financial statements.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (topic 606) and Leases (Topic 842),* which allows certain entities to elect to defer the effective date of provisions of FASB ASU No. 2014-09 and ASU No. 2016-02. These entities may elect to adopt the guidance for revenue for annual reporting periods beginning after December 15, 2019. Additionally, under the amendments, entities may elect to adopt the lease guidance for fiscal years beginning after December 15, 2021.

Subsequent events – The Foundation has evaluated subsequent events through September 21, 2020, which is the date the financial statements were available to be issued.

(2) Pledges receivable

Pledges receivable consist of the following at June 30, 2020:

Receivable in less than one year	$	379,463
Receivable in one to five years		244,300
Receivable in more than five years		26,500
Total pledges receivable		650,263
Less discount to net present value		(36,766)
Less allowance for uncollectable pledges		(13,005)
Net pledges receivable	$	600,492

Pledges receivable that are expected to be collected in more than one year have been discounted to their present value using a discount rate of 2%.

(3) Investments

Investments consist of the following at June 30, 2020:

Equity funds:		
Common stock funds - United States	$	5,463,880
Common stock funds - emerging markets		517,509
Common stock funds - international		2,303,211
Exchange traded funds - global region		1,369,562
Exchange traded funds - international		2,139,471
Exchange traded funds - United States		4,511,750
Fixed Income funds:		
Government agencies - United States		10,455,945
Corporate bonds - United States		3,439,001
Exchange traded funds - fixed income		3,443,146
Real estate funds - United States		737,458
Partnerships:		
Partnerships - United States		6,576,089
Hedge funds:		
Hedge equity funds - United States		1,119,190
Total investments	$	42,076,212

(3) Investments (continued)

The following summarizes the investment return for the year ended June 30, 2020:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 331,650	$ 753,668	$ 1,085,318
Net realized and unrealized gains (losses)	322,607	(1,185,773)	(863,166)
Brokerages fees	(39,415)	(111,428)	(150,843)
Total	$ 614,842	$ (543,533)	$ 71,309

Investment earnings from endowments are classified as net assets with donor restrictions.

(4) Cash surrender value of life insurance

The Foundation is the beneficiary of certain Life Endowment life insurance policies, the face amounts of which total approximately $2,245,000 as of June 30, 2020. These policies are recorded at their cash surrender values. Policy earnings and expenses are included in the statement of activities and change in net assets as a change in cash surrender value of life insurance. The cash surrender values and policy benefits of these policies are restricted in perpetuity and are included in net assets with donor restriction as of June 30, 2020 in the accompanying financial statements. Upon the termination of the insurance policies, the Foundation will invest the proceeds into the endowment funds.

(5) Split-interest agreements

The Foundation currently administers seven charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value. Contribution support is recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using a risk-free discount rate determined at the time the annuities are established, and actuarial tables and guidelines are used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the gift annuities are $297,119 at June 30, 2020. The assets aggregating approximately $690,000 held under these split-interest agreements at June 30, 2020 are held in the Pool and invested in proportion to the amounts in Note 3.

(6) Contributed services

The District provides administration services consisting of office space and administrative salaries to the Foundation without charge. The fair value of the contributed use of office space totaled $154,965 for the year ended June 30, 2020. The contributed services received by the Foundation were measured at the cost recognized by the District for the personnel providing the administrative services, which totaled $1,039,282 for the year ended June 30, 2020. These amounts are reflected in the statement of activities and change in net assets as contributed space and services.

(7) Fair value measurement

The following table sets forth the level, within the fair value hierarchy of the Foundation's assets and liabilities subject to recurring fair value measurement, including investments measured at net asset value ("NAV") as a practical expedient, as of June 30, 2020:

	Level 1	Investments Measured at NAV	Total
Equity funds:			
Common stock funds - United States	$ 2,437,505	$ 3,026,375	$ 5,463,880
Common stock funds - emerging markets	517,509	-	517,509
Common stock funds - international	-	2,303,211	2,303,211
Exchange traded funds - global region	1,369,562	-	1,369,562
Exchange traded funds - international	2,139,471		2,139,471
Exchange traded funds - United States	4,511,750	-	4,511,750
Fixed Income funds:			
Government agencies - United States	316,114	10,139,831	10,455,945
Corporate bonds - United States	3,439,001	-	3,439,001
Exchange traded funds - fixed income	3,443,146	-	3,443,146
Real estate funds - United States	737,458	-	737,458
Partnerships - United States	-	6,576,089	6,576,089
Hedge equity funds - United States	-	1,119,190	1,119,190
	$ 18,911,516	$ 23,164,696	$ 42,076,212

The Foundation did not have any Level 2 or Level 3 investments as of June 30, 2020. The Foundation has no other assets or liabilities subject to fair value measurement other than at initial recognition.

(7) Fair value measurement (continued)

In accordance with FASB ASC 820, the Foundation is required to disclose the nature and risks of the investments reported at NAV. The Foundation has elected to early adopt the provisions of ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. As a result of this election, investments reported at NAV as a practical expedient are excluded from the fair value hierarchy.

The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of June 30, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Government agencies fund - United States				
Common Daily Aggregate Bond Index fund	$ 10,139,831	$ -	Daily	One business day
Common Daily EAFE	2,303,211	-	Daily	One business day
Common stock funds - United States				
S&P 500 Index fund	3,026,375	-	Daily	One business day
Partnerships - United States				
Makena Capital Associates	2,223,705	-	Annual	One year
Makena Endowment Fund	4,352,384	-	Annual	One year
Hedge equity funds - United States				
Northern Trust Alpha Strategies fund	1,119,190	-	Quarterly	60 days prior to Quarter
Total	$ 23,164,696	$ -		

Common daily aggregate bond index fund – The primary objective is to hold a portfolio representative of the overall United States bond and debt market, as characterized by the Barclays Capital Aggregate Bond Index. This Fund may participate in securities lending.

Common Daily EAFE fund – The primary objective is to replicate the performance of the MSCI EAFE index. The fund is a broadly diversified international equity fund representing the non-North American developed markets (i.e. Europe, Australia, and the Far East). The fund invests in widely traded public securities listed on major market exchanges.

S&P 500 Index fund – The primary objective is to approximate the risk and return characteristics of the S&P 500 Index. This Index is commonly used to represent the large cap segment of the U.S. equity market. This fund may participate in securities lending.

(7) Fair value measurement (continued)

Makena Capital Associates and Endowment fund – The Makena Endowment Portfolio are feeder funds which invest substantially all of their assets into masters funds. The primary objective of the master funds is to achieve capital appreciation in a wide range of asset classes through proprietary asset allocation and careful selection of third-party investment managers. The redemption period for these funds does not begin until after an initial two year lock up period that started in July 2015. Additionally, the fund manager limits redemptions to maintain sufficient liquidity within the funds to satisfy funding commitments for side pocket investments made by the fund on behalf of investors through the date of the redemption notification. The remaining redemptions occur as the side pocket investments mature.

Northern Trust Equity Alpha Strategies fund – The primary objective is to seek risk-adjusted rates of return through investment in a diversified portfolio of assets. The fund is an actively managed multi-strategy fund of hedge funds that seeks to generate risk-adjusted returns with significant capital preservation, low correlation to traditional markets, and muted volatility. Although common unit holders will not have the right to redeem their units, at its discretion the Board of Trustees of the fund intends to make quarterly tender offers for its common units at the net asset value as of the applicable tender date. Holders are required to make the request for redemption at least sixty days in advance.

(8) Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30, 2020:

Restricted for purposes or periods	
Scholarship awards and program support	$ 10,786,670
Accumulated endowment earnings subject to spending policy, net of losses	4,095,435
	14,882,105
Restricted in perpetuity	
Pledges receivable	185,445
Cash surrender value of life insurance	261,441
Endowment fund subject to the Foundation's spending policy	26,314,030
Total net assets restricted in perpetuity	26,760,916
Total net assets with restrictions	$ 41,643,021

Net assets released from restriction for the year ended June 30, 2020 consisted of the following:

Program support	$ 980,156
Scholarships	2,778,461
Administrative fees	145,679
Total net assets released from restriction	$ 3,904,296

(9) Endowments

The Foundation's endowments include only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Directors of the Foundation has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions to be held 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. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions to be held in perpetuity are classified as net assets with donor restriction for purpose or periods 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 fund
(2) The purposes of the Foundation 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 Foundation
(7) The investment policies of the Foundation

The changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With donor restrictions
Endowment net assets, July 1, 2019	$ 31,215,817
Contributions and pledge collections	964,252
Change in donor intent	(37,931)
Interest and dividends, net of fees	642,240
Realized and unrealized losses	(1,185,773)
Appropriation of endowment assets for expenditure	(1,189,140)
Endowment net assets, June 30, 2020	$ 30,409,465

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, and with assistance of professional investment advisors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

(9) Endowments (continued)

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). The Foundation targets a diversified asset allocation that consists of equity-securities, corporate bonds, and government securities.

The Foundation's policy is to distribute, for the stated purpose of each fund, 5% for the year ended June 30, 2020 of a three-year average of the market value of each endowed fund that is above the original contributed amount as calculated at the end of each year. For funds that were below the original contributed amount, 5% of the three-year average at the end of the year were not eligible for disbursement for the year ended June 30, 2020. Actual investment earnings, in excess of (or less than) distribution, are added to (subtracted from) the endowment principal and available for future disbursements. If these amounts are not fully disbursed within a one-year period, the remaining amounts are transferred back to the endowment funds. For the years ended June 30, 2020 earnings of $1,471,266 were eligible to be distributed. The unused funds of $304,038 were maintained in the endowment funds to be used for future disbursements as of June 30, 2020. For the year ended June 30, 2020, the Foundation transferred $446,379 from operational reserves in order to reduce the appropriation of endowment assets for expenditures.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were $379,832 as of June 30, 2020. The Foundation does not charge administrative fees to underwater funds, however will continue to spend for programs or scholarships as requested. These deficiencies resulted primarily from unfavorable market fluctuations. The balance of these funds as of June 30, 2020 is as follows:

Total corpus of underwater funds	$	5,979,883
Total fund balance of underwater funds		5,600,051
Total balance of underwater funds	$	379,832

(10) Risks and uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on donors, employees, and vendors, all of which are uncertain and cannot be predicted. Additionally, the outbreak could impact the Foundation's ability to receive contributions and collections of receivables. The pandemic has also negatively impacted U.S. and global financial markets and the Foundation's investments have experienced significant volatility. As a result of the pandemic, the Heroes of Education event was postponed and as of June 30, 2020, $184,700 of funds received for the event were included in deferred revenue on the statement of financial position.

(10) Risks and uncertainties (continued)

As of the date the financial statements were available to be issued, the Foundation's operations have not been significantly negatively impacted. However, the Foundation continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Foundation could experience a material negative impact to operations, cash flow, and financial condition. However, the extent of the impact cannot be reasonable estimated at this time.

(11) Liquidity and availability of resources

As of June 30, 2020, the Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	$ 1,566,927
Pledges receivable due within one year	379,463
Investments available to be liquidated with one year	35,500,123
Cash held for endowment	928,731
Total financial assets available within one year	38,375,244
Adjusted by	
Amounts unavailable for general expenditure within one year, due to:	
Donor restrictions for specific purposes not expected to be met in one year	(8,981,264)
Endowment funds subject to spending policies	(30,409,465)
Investments held to fund split interest agreements	(690,000)
Permanent pledges receivable due within one year	(75,713)
Total amounts unavailable for general expenditure within one year	(40,156,442)
Estimated endowment earnings to be appropriated for use within one year	1,781,198
Financial assets available to meet cash needs for general expenditure within one year	$ -

The Foundation monitors its cash flows to ensure the fulfillment of all obligations. As part of their liquidity plan, excess cash is invested in short term investments, primarily mutual funds and fixed income investments, so as to have readily liquid investments available as needed. The Foundation's investments could be readily liquidated without significant penalty to fund operating cash flow needs, except as noted above. The Foundation's cash needs to fund general expenditures is mitigated due to the contribution of services and office space from the District. General expenses for fiscal 2020 totaled approximately $445,000 and were funded through investment returns and administrative fees. All other expenses for fiscal 2020 were funded through donated services or donor restricted net assets as the donor restrictions were satisfied.

The Foundation's spending policy, as described above, allows for annual expenditures of 5% of the three-year average of the market value of each endowed fund that is above the original contributed amount as calculated at the end of each year. Additionally, administration fees of 2% will be charged to funds during the year ended June 30, 2021. As such, estimated endowment earnings and fees to be appropriated for use within one year has been estimated as an approximate $1.8 million increase to financial assets available to meet cash needs for general expenditure within one year.