MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2015

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2015

CONTENTS

MHM
Mayer Hoffman McCann P.C.
An Independent CPA Firm

3101 North Central Avenue, Suite 300
Phoenix, Arizona 85012
602-264-6835 ph
602-265-7631 fx
www.mhm-pc.com

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*** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited ***Maricopa County Community College District Foundation's*** 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
September 28, 2015

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2015
(with comparative totals at June 30, 2014)

ASSETS

	2015	2014
CASH AND CASH EQUIVALENTS	$ 304,457	$ 560,660
PLEDGES RECEIVABLE, net of discount and allowance	3,720,679	1,728,535
INVESTMENTS	30,952,957	28,596,646
INVESTMENTS HELD FOR OTHER	6,099,283	6,122,561
CASH HELD FOR ENDOWMENT PURPOSES	229,725	1,302,758
CASH SURRENDER VALUE OF LIFE INSURANCE	455,438	480,526
OTHER ASSETS	11,935	2,800
TOTAL ASSETS	$ 41,774,474	$ 38,794,486

LIABILITIES AND NET ASSETS

	2015	2014
ACCOUNTS PAYABLE	$ 4,832	$ -
CHARITABLE GIFT ANNUITY LIABILITY	201,309	207,526
INVESTMENTS HELD FOR OTHER	6,099,283	6,122,561
TOTAL LIABILITIES	6,305,424	6,330,087
NET ASSETS		
Unrestricted	931,309	1,291,372
Temporarily restricted	12,522,276	11,899,149
Permanently restricted	22,015,465	19,273,878
TOTAL NET ASSETS	35,469,050	32,464,399
TOTAL LIABILITIES AND NET ASSETS	$ 41,774,474	$ 38,794,486

See Notes to Financial Statements

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014
SUPPORT AND REVENUE					
Contributions	$ -	$ 3,751,554	$ 2,830,526	6,582,080	4,885,575
Change in donor intent	-	47,204	(47,204)	-	-
Contributed services	1,486,618	-	-	1,486,618	1,643,466
Investment return	(56,994)	(73,900)	-	(130,894)	3,143,589
Change in cash surrender value of life insurance	-	-	(25,088)	(25,088)	(16,019)
Other revenues	-	-	-	-	1,529
Total support and revenue before special event and net assets released from restrictions	1,429,624	3,724,858	2,758,234	7,912,716	9,658,140
Special event revenue	-	172,400	-	172,400	279,300
Less cost of direct donor benefits	-	(93,935)	-	(93,935)	(133,500)
Gross profit from special event	-	78,465	-	78,465	145,800
Net assets released from restrictions	3,154,018	(3,154,018)	-	-	-
TOTAL SUPPORT AND REVENUE	4,583,642	649,305	2,758,234	7,991,181	9,803,940
EXPENSES AND LOSSES					
Program expenses					
Scholarships and program support	2,739,929	-	-	2,739,929	2,813,986
Supporting services					
Fundraising	209,902	-	-	209,902	116,033
General and administrative	1,993,874	-	-	1,993,874	2,121,216
Loss from uncollectible pledges	-	26,178	16,647	42,825	27,423
TOTAL EXPENSES AND LOSSES	4,943,705	26,178	16,647	4,986,530	5,078,658
CHANGE IN NET ASSETS	(360,063)	623,127	2,741,587	3,004,651	4,725,282
NET ASSETS, BEGINNING OF YEAR	1,291,372	11,899,149	19,273,878	32,464,399	27,739,117
NET ASSETS, END OF YEAR	$ 931,309	$ 12,522,276	$ 22,015,465	$ 35,469,050	$ 32,464,399

See Notes to Financial Statements

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,004,651	$ 4,725,282
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized/unrealized investment (gains) losses	630,183	(2,646,965)
Loss from uncollectable pledges	42,825	27,423
Change in discount on pledges receivable	116,322	88,823
Contributions restricted for endowment	(2,830,526)	(1,976,846)
Decrease in cash surrender value of life insurance	25,088	16,019
Change in charitable gift annuity liability	(6,217)	(34,582)
Changes in operating assets and liabilities:		
Decrease (increase) in pledges receivable	(1,364,999)	(407,410)
Decrease (increase) in other assets	(9,135)	46,807
Increase (decrease) in accounts payable	4,832	(374,818)
Net cash used in operating activities	(386,976)	(536,267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,671,566)	(3,390,629)
Proceeds from sales of investments	2,685,072	3,111,004
Purchase of investments held for other	(95,272)	(97,420)
Change in investments held for other	95,272	97,420
Change in cash held for endowment purposes	1,073,033	(447,214)
Net cash used in investing activities	(1,913,461)	(726,839)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	2,044,234	1,250,403
Net cash provided by financing activities	2,044,234	1,250,403
NET CHANGE IN CASH AND CASH EQUIVALENTS	(256,203)	(12,703)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	560,660	573,363
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 304,457	$ 560,660
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Unrealized gains (losses) on investments held for other	$ (118,550)	$ 605,710

See Notes to Financial Statements

(1) Organization 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 breakdown of funds distributed for the years are as follows:

	2015	2014
Scholarship awards	$ 1,597,657	$ 1,768,573
Program support	1,142,272	1,045,413
Total scholarships and program support	$ 2,739,929	$ 2,813,986

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 its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Prior year summarized information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2014 from which the summarized information was derived.

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).

Contributions – 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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(1) <u>Organization operations and summary of significant accounting policies (continued)</u>

Approximately $28,800 and $28,100 in contributions were received from members of the Board of Directors and Foundation staff during the years ended June 30, 2015 and 2014, respectively. Approximately $115,000 and $217,000 of pledges receivable are due from Board Members and Foundation staff as of June 30, 2015 and 2014, respectively.

For the year ended June 30, 2015, approximately 30% of the Foundation's contributions revenue was received from one donor. The Foundation did not have a concentration of contribution revenue greater than 10% from a major donor for the year ended June 30, 2014. As of June 30, 2015, approximately 56% of the Foundation's unconditional promises to give were due from three donors. As of June 30, 2014, approximately 41% of the Foundation's unconditional promises to give were due from three donors. It is always considered reasonably possible that donors might be lost in the near term.

Unrestricted contributions 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. Temporarily restricted contributions 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. Permanently restricted contributions require the principal be invested in perpetuity; the distributable income from the related investments is reflected as temporarily restricted in the statement of activities as specified by the donor.

Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the 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.

Administration fees – The Foundation charges an administration fee to defray part of the cost of managing restricted accounts held by the Foundation. A fee is charged on all new gifts, except endowment gifts. Effective July 1, 2013, the Foundation increased the new gift fee from 1% to 2%. On January 1st of each year, an investment management fee is charged on all accounts. Effective July 1, 2013, the Foundation increased the investment management fee from 75 basis points to 200 basis points. This fee is not charged to endowment funds, if doing so would reduce the fund below its corpus. Total fees charged by the Foundation were $400,087 and $507,270, for the years ended June 30, 2015 and 2014, respectively. A total of $400,087 and $507,270 were included in net assets released from restrictions for the years ended June 30, 2015 and 2014, respectively.

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

Management fees – The Foundation charged no management fees on investments held for other for the years ended June 30, 2015 and 2014.

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. All proceeds received in excess of the direct costs are recorded as gross profit from special event in the accompanying statement of activities.

Donated materials, facilities and services – Donated materials are reflected as contributions in the statement of activities 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; however, a substantial number of volunteers have donated significant amounts of their time in the Foundation's program services and fundraising campaigns.

Investments – The Foundation accounts for its investments in accordance with FASB ASC 958-320, Not-for-Profit Entities – Investments – Debt and 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, and all investments in debt securities, 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.

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.

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

Fair value measurements – FASB ASC 820, *Fair Value Measurements*, 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 2015 and 2014 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 2012, 2013 and 2014 are subject to examination by the IRS generally for three years after they were filed. As of the date of this report, the fiscal 2015 returns had not yet been filed.

Recent accounting pronouncement – In May 2015, the FASB issued 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),* which amends FASB Topic 820 to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. The Foundation has elected to early adopt this standard as of June 30, 2014, which is the earliest period presented within these financial statements. Accordingly, the fair value hierarchy disclosure within footnote 9 has been retroactively revised to remove investments reported at NAV as of June 30, 2014.

Subsequent events – The Foundation has evaluated subsequent events through September 28, 2015, which is the date the financial statements were available to be issued.

(2) Pledges receivable

Pledges receivable consist of the following at June 30:

	2015	2014
Pledges receivable:		
Receivable in less than one year	$ 1,548,563	$ 530,544
Receivable in one to five years	2,228,446	1,236,145
Receivable in more than five years	284,971	144,000
Total pledges receivable	4,061,980	1,910,689
Less discounts to net present value	(260,262)	(143,940)
Less allowance for uncollectable pledges	(81,039)	(38,214)
Net pledges receivable	$ 3,720,679	$ 1,728,535

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 5%.

(3) Investments

Investments consist of the following at June 30:

	2015	2014
Equity funds:		
Common stock funds - United States	$ 7,238,793	$ 7,621,658
Common stock funds - emerging markets	1,220,621	1,899,633
Common stock funds - International	3,895,800	4,793,388
Exchange traded funds – global region	884,169	1,048,621
Exchange traded funds – United States	495,091	-
Fixed Income funds:		
Government agencies - United States	11,106,680	12,129,988
Government bonds	184,788	171,368
Corporate bonds - United States	2,769,511	2,588,022
Exchange traded funds – fixed income	623,946	-
Real estate funds – United States	595,770	379,378
Cash held for pending purchases	3,750,000	-
Hedge funds:		
Hedge equity funds - United States	3,293,456	3,045,854
Commodity funds:		
Commodity funds – United States and global	993,615	1,041,297
Total investments	$ 37,052,240	$ 34,719,207

The following summarizes the investment return for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 137,461	$ 539,055	$ -	$ 676,516
Net realized and unrealized losses	(161,844)	(468,339)	-	(630,183)
Brokerages fees	(32,611)	(144,616)	-	(177,227)
Total	$ (56,994)	$ (73,900)	$ -	$ (130,894)

(3) Investments (continued)

The following summarizes the investment return for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 146,027	$ 515,951	$ -	$ 661,978
Net realized and unrealized gains	331,986	2,314,979	-	2,646,965
Brokerages fees	(33,014)	(132,340)	-	(165,354)
Total	$ 444,999	$ 2,698,590	$ -	$ 3,143,589

Investment earnings from endowment funds are classified as temporarily restricted.

(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 $2,894,509. These policies are recorded at their cash surrender values. Policy earnings and expenses are included in the statement of activities as a change in cash surrender value of life insurance. The cash surrender values and policy benefits of these policies are permanently restricted and are included in permanently restricted net assets as of June 30, 2015 and 2014 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 eight 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 is $201,309 and $207,526 at June 30, 2015 and 2014, respectively. The assets aggregating approximately $421,000 and $464,000 held under these split-interest agreements at June 30, 2015 and 2014 respectively, are held in the Pool and invested in proportion to the amounts in Note 3.

(6) Restricted net assets

Temporarily restricted net assets are available primarily for scholarship awards. Permanently restricted net assets are to provide a permanent endowment, with the investment income restricted primarily for scholarship awards (see Note 10 - Endowments).

Net assets released from restriction for the year ended June 30, 2015 consisted of the following:

Program support	$ 1,142,272
Scholarships	1,597,657
Administrative fees	400,087
Other releases	14,002
Total net assets released from restriction	$ 3,154,018

(7) 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 $114,342 and $114,342 for the years ended June 30, 2015 and 2014, respectively. 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 $1,372,276 and $1,529,124 for the years ending June 30, 2015 2014, respectively. These amounts are reflected in the statement of activities as contributed services and administrative expenses.

(8) Investments held for other

FASB ASC 958-605 establishes standards for transactions in which a not-for-profit organization accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for-profit organization establishes a fund at another not-for-profit organization with its own funds and specifies itself as the beneficiary of that fund, the recipient not-for-profit organization must account for the transfer of such assets as a liability.

Included in investments held for other are assets held in an investment for the benefit of Friends of Public Radio Arizona ("FPRAZ"), a 501(c) (3) not-for-profit organization, under a Funds Administration agreement. FPRAZ is the named beneficiary of the fund with the purpose of the fund being to support FPRAZ's mission on behalf of KJZZ/KBAQ Radio at Rio Salado College, a Maricopa Community College. The Foundation has invested the funds into the Pool with earnings activity being allocated to the investments held for other using the same allocation method as all of the other funds invested in the Pool. The Foundation charges an administrative service fee of 0.50% to all new gifts into the fund. Under the Funds Administration agreement, the Foundation has waived the customary 2.00% administration fee charged against all funds under management. In accordance with FASB ASC 958-605, a liability has been established equivalent to the fair value of the assets.

Both the liability and the assets are measured at fair value. The inputs used to determine the fair value of the invested assets are based upon the nature of the assets held within the Pool. The inputs used to determine the fair value of the liability are based upon the fair value of the assets of the Pool and the agency fund's ownership interest in the Pool. Since the fair value of the liability is based primarily upon the observable inputs used during the valuation of the assets but not based upon identical inputs for identical agency liabilities, a Level 2 classification has been assigned for the inputs used to determine the fair value of the assets held for other liability.

The activity for the agency fund is summarized as follows:	2015	2014
Agency fund, beginning of year	$ 6,122,561	$ 5,419,431
Contributions	-	-
Interest and dividends, net of brokerage fees	95,272	97,420
Realized and unrealized investment gains (losses), net	(118,550)	605,710
Management fees	-	-
Agency fund, end of year	$ 6,099,283	$ 6,122,561

(9) Fair value measurements

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, other than investments measured at NAV as a practical expedient, as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Equity funds:				
Common stock funds - United States	$ 873,156	$ -	$ -	$ 873,156
Exchange traded funds - global region	884,169	-	-	884,169
Exchange traded funds - United States	495,091	-	-	495,091
Fixed Income funds:				
Government bonds	184,788	-	-	184,788
Corporate bond - United States	2,769,511	-	-	2,769,511
Exchange traded funds	623,946	-	-	623,946
Real estate funds - United States	595,770	-	-	595,770
Commodity funds - United States and global	993,615	-	-	993,615
Investments held for other liability	-	(6,099,283)	-	(6,099,283)

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, other than investments measured at NAV as a practical expedient, as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Equity funds:				
Common stock funds - United States	$ 661,056	$ -	$ -	$ 661,056
Exchange traded funds - global region	1,048,621	-	-	1,048,621
Fixed Income funds:				
Government agencies - United States	1,481,766	-	-	1,481,766
Government bonds	171,368	-	-	171,368
Corporate bond - United States	2,588,022	-	-	2,588,022
Real estate funds:		-	-	
Real estate - United States	379,378	-	-	379,378
Commodity funds - United States and global	1,041,297	-	-	1,041,297
Investments held for other liability	-	(6,122,561)	-	(6,122,561)

(9) Fair value measurements (continued)

The Foundation has no other assets or liabilities subject to fair value measurement other than at initial recognition.

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 FASB issued ASU No. 2015-07. 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, 2015.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Government agencies fund - United States				
Common Daily Aggregate Bond Index fund	$ 11,106,680	$ -	Daily	One business day
Common stock funds - emerging markets				
Emerging markets fund	1,220,621	-	Daily	One business day
Common stock funds - International				
International securities fund	1,612,690	-	Daily	One business day
Ex-US equity fund	-	-	Daily	One business day
Common Daily EAFE	2,283,110	-	Daily	One business day
Common stock funds - United States				
S&P 500 Index fund	4,071,051	-	Daily	One business day
Large cap fund	1,931,403	-	Daily	One business day
Small cap fund	363,183	-	Daily	One business day
Hedge funds - United States				
Northern Trust Equity Long/Short fund	1,377,984	-	N/A	N/A
Northern Trust Alpha Strategies fund	1,915,472	-	N/A	N/A
Total	$ 25,882,194	$ -		

(9) Fair value measurements (continued)

The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of June 30, 2014.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Government agencies fund - United States				
Common Daily Aggregate Bond Index fund	$ 10,648,222	$ -	Daily	One business day
Common stock funds - emerging markets				
Emerging markets fund	1,899,633	-	Daily	One business day
Common stock funds - International				
International securities fund	1,497,697	-	Daily	One business day
Ex-US equity fund	1,626,727	-	Daily	One business day
Common Daily EAFE fund	1,668,964	-	Daily	One business day
Common stock funds - United States				
S&P 500 Index fund	3,882,421	-	Daily	One business day
Large cap fund	1,842,276	-	Daily	One business day
Mid cap fund	622,565	-	Daily	One business day
Small cap fund	613,340	-	Daily	One business day
Hedge funds - United States				
Northern Trust Equity Long/Short fund	1,243,750	-	N/A	N/A
Northern Trust Alpha Strategies fund	1,802,104	-	N/A	N/A
Total	$ 27,347,699	$ -		

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.

Emerging markets fund – The policy is to invest in emerging market securities, directly or through funds but not limited to common funds maintained by Northern Trust ("the Trustee") or its affiliates, using one or more advisors to recommend specific investments. While emerging markets equity will be the predominant asset class, this Fund may invest in other asset classes from time to time, including but not limited to short term investment funds and cash equivalents, and may be highly concentrated in specific sectors or securities.

International Securities fund – The policy is to invest in non-U.S. equity markets, directly or through funds including but not limited to common funds maintained by the Trustee or its affiliates, using one or more advisors to recommend specific investments. While non-U.S. equity securities will be the predominant asset class, this Fund may invest in other asset classes from time to time, including but not limited to short-term investment funds and cash equivalents, and the Fund may be highly concentrated in specific sectors or securities.

(9) Fair value measurements (continued)

Ex-US equity fund – The primary objective is to provide investment results that approximate the overall performance of the MSCI All-Country World ex-US Equity 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, Australasia, 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.

Large cap fund – The policy is to invest in U.S. equity markets, directly or through funds including but not limited to common funds maintained by the Trustee or its affiliates, using one or more advisors to recommend specific investments. While U.S. equity securities will be the predominant asset class, this Fund may invest in other asset classes from time to time, including but not limited to short term investment funds and cash equivalents. Characteristically, the Fund will have a large market capitalization core orientation and may be highly concentrated in specific sectors or securities.

Mid cap fund – The policy is to invest in U.S. equity markets, directly or through funds including but not limited to common funds maintained by the Trustee or its affiliates, using one or more advisors to recommend specific investments. While U.S. equity securities will be the predominant asset class, this Fund may invest in other asset classes from time to time, including but not limited to short term investment funds and cash equivalents. Characteristically, the Fund will have a mid-market capitalization core orientation and may be highly concentrated in specific sectors or securities.

Small cap fund – The policy is to invest in U.S. equity markets, directly or through funds including but not limited to common funds maintained by the Trustee or its affiliates, using one or more advisors to recommend specific investments. While U.S. equity securities will be the predominant asset class, this Fund may invest in other asset classes from time to time, including but not limited to short term investment funds and cash equivalents. Characteristically, the Fund will have a small market capitalization core orientation and may be highly concentrated in specific sectors or securities.

Northern Trust Equity Long/Short fund – The primary objective is to achieve attractive risk-adjusted returns through investments in an equity long/short focused portfolio of assets. The fund is a globally diversified long/short strategy fund of hedge funds that seeks to target equity-like returns over a full market cycle with less volatility and more downside protection than long-only equity. 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.

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.

(10) 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 permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	$ (19,270)	$ 6,070,620	$ 17,873,538	$ 23,924,888
Contributions and pledge collections	-	-	2,044,234	2,044,234
Change in donor intent	-	-	(47,204)	(47,204)
Interest and dividends, net of fees	-	394,439	-	394,439
Realized and unrealized losses	(4,870)	(468,339)	-	(473,209)
Appropriation of endowment assets for expenditure	-	(1,004,542)	-	(1,004,542)
Endowment net assets, June 30, 2015	$ (24,140)	$ 4,992,178	$ 19,870,568	$ 24,838,606

(10) Endowments (continued)

The changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	$ (52,727)	$ 4,426,969	$ 16,623,135	$ 20,997,377
Contributions and pledge collections	-	-	1,250,403	1,250,403
Investment return:				
Interest and dividends, net of fees	-	383,611	-	383,611
Realized and unrealized gains	33,457	2,314,979	-	2,348,436
Appropriation of endowment assets for expenditure	-	(1,054,939)	-	(1,054,939)
Endowment net assets, June 30, 2014	$ (19,270)	$ 6,070,620	$ 17,873,538	$ 23,924,888

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 unrestricted net assets were $24,140 and $19,270 as of June 30, 2015 and 2014, respectively. These deficiencies resulted primarily from unfavorable market fluctuations.

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.

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% 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 are below the original contributed amount, 3% of the three-year average at the end of the year will be eligible for disbursement. 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, 2015 and 2014 earnings of $1,117,297 and $938,790, respectively, were eligible to be distributed. For the years ended June 30, 2015 and 2014, $660,702 and $682,860, respectively, was distributed and is included in appropriation of endowment assets for expenditure above. The unused funds of $456,595 and $255,930 were maintained in the endowment funds to be used for future disbursements.