MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2019

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FINANCIAL STATEMENTS

Year Ended June 30, 2019

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, 2019, 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, 2019, and the change in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, ***Maricopa County Community College District Foundation*** adopted Financial Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and ASU No. 2016-18, *Statement of Cash Flows (Topic 230)* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

September 24, 2019

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CASH AND CASH EQUIVALENTS	$ 695,851
PLEDGES RECEIVABLE, net of discount and allowance	1,990,400
INVESTMENTS	42,283,381
CASH HELD FOR ENDOWMENT PURPOSES	684,323
CASH SURRENDER VALUE OF LIFE INSURANCE	292,084
OTHER ASSETS	25,155
TOTAL ASSETS	$ 45,971,194

LIABILITIES AND NET ASSETS

ACCOUNTS AND SCHOLARSHIPS PAYABLE	$ 800,491
CHARITABLE GIFT ANNUITY LIABILITY	290,794
TOTAL LIABILITIES	1,091,285
NET ASSETS	
Without donor restrictions	2,360,403
With donor restrictions	42,519,506
TOTAL NET ASSETS	44,879,909
TOTAL LIABILITIES AND NET ASSETS	$ 45,971,194

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ -	$ 4,788,680	$ 4,788,680
Contributed space and services	1,232,722	-	1,232,722
Investment return	712,596	1,597,691	2,310,287
Change in cash surrender value of life insurance	-	(31,240)	(31,240)
Total support and revenue before special event and net assets released from restrictions	1,945,318	6,355,131	8,300,449
Special event revenue	-	209,371	209,371
Less cost of direct donor benefits	-	(106,439)	(106,439)
Gross profit from special event	-	102,932	102,932
Net assets released from restrictions	5,104,161	(5,104,161)	-
TOTAL SUPPORT AND REVENUE	7,049,479	1,353,902	8,403,381
EXPENSES AND GAINS			
Program support	1,602,709	-	1,602,709
Scholarship expenses	2,972,634	-	2,972,634
Salaries, wages, and benefits	1,097,919	-	1,097,919
Office space	134,803	-	134,803
Professional services	124,778	-	124,778
Office expenses	40,194	-	40,194
Information technology	95,448	-	95,448
Community engagement	88,673	-	88,673
Other expenses	37,445	-	37,445
Total expenses	6,194,603	-	6,194,603
Gain on uncollectible pledges	-	231,979	231,979
TOTAL EXPENSES AND GAINS	6,194,603	(231,979)	5,962,624
CHANGE IN NET ASSETS	854,876	1,585,881	2,440,757
NET ASSETS, BEGINNING OF YEAR	1,505,527	40,933,625	42,439,152
NET ASSETS, END OF YEAR	$ 2,360,403	$ 42,519,506	$ 44,879,909

See Notes to Financial Statements

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	General/ Academic	Special Populations	Workforce Development	Total Programs	Supporting Services: Management & General	Supporting Services: Fundraising	Total
Program support	$ 530,673	$ 992,619	$ 79,417	$ 1,602,709	$ -	$ -	$ 1,602,709
Scholarship expenses	1,541,422	1,217,823	213,389	2,972,634	-	-	2,972,634
Special events	-	-	-	-	-	106,439	106,439
Salaries, wages, and benefits	-	-	-	-	652,202	445,717	1,097,919
Office space	-	-	-	-	134,803	-	134,803
Professional services	-	-	-	-	124,778	-	124,778
Office expenses	-	-	-	-	40,194	-	40,194
Information technology	-	-	-	-	95,448	-	95,448
Community engagement	-	-	-	-	-	88,673	88,673
Other expenses	-	-	-	-	37,445	-	37,445
TOTAL EXPENSES	$ 2,072,095	$ 2,210,442	$ 292,806	$ 4,575,343	$ 1,084,870	$ 640,829	$ 6,301,042

See Notes to Financial Statements

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,440,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized/unrealized investment gains	(1,347,404)
Gain on uncollectable pledges	(231,979)
Change in discount on pledges receivable	(91,991)
Contributions restricted for endowment	(1,251,148)
Decrease in cash surrender value of life insurance	31,240
Change in charitable gift annuity liability	96,803
Changes in operating assets and liabilities:	
Decrease in pledges receivable	1,335,514
Increase in other assets	(1,929)
Increase in accounts and scholarships payable	534,483
Net cash provided by operating activities	1,514,346
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(16,827,758)
Proceeds from sales of investments	13,614,615
Net cash used in investing activities	(3,213,143)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for endowment	1,385,877
Net cash provided by financing activities	1,385,877
NET CHANGE IN CASH AND CASH EQUIVALENTS	(312,920)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	1,693,094
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	$ 1,380,174
Cash and cash equivalents	695,851
Cash held for endowment purposes	684,323
Total cash and cash equivalents, and restricted cash	$ 1,380,174

See Notes to Financial Statements

(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").

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 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 as net assets released from restrictions.

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

Approximately $21,000 in contributions were received from members of the Board of Directors and Foundation staff during the year ended June 30, 2019. Approximately $ 3,000 of pledges receivable are due from Board Members and Foundation staff as of June 30, 2019.

For the year ended June 30, 2019, approximately 19% of the Foundation's contributions revenue was received from one donor. As of June 30, 2019, approximately 66% of the Foundation's unconditional promises to give were due from two donors.

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 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. Total fees charged by the Foundation and included in net assets released from restriction were $528,818 for the year ended June 30, 2019.

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

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.

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.

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 2019 and 2018 s 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 2016, 2017 and 2018 are subject to examination by the IRS generally for three years after they were filed. As of the date of this report, the fiscal 2019 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.

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 is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

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

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 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The update is intended to be applied on a modified prospective basis, but retrospective application is permitted. The Foundation is currently evaluating the full effect that the adoption will have on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230).* This ASU requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when recording the beginning-of-period and end-of-period total mounts show in the statement of cash flows. The amendments of the ASU do not provide a definition of restricted cash or restricted cash equivalents. The ASU is effective for all nonpublic business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Foundation has adopted this ASU in the current year. Accordingly, the Foundation has included cash held for endowment purposes in the balance of cash, cash equivalents, and restricted cash at the beginning and end of the year.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, functional expenses, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Foundation adopted ASU 2016-14 in 2019.

In accordance with the amendments of this ASU, the Foundation added a statement of functional expenses and expanded disclosures around the presentation of expenses by function and nature. Additionally, the Foundation disclosed the liquidity and availability of resources in Note 10.

A summary of the beginning net asset reclassifications as of July 1, 2018 driven by the adoption of ASU 2016-14 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	**Without donor restrictions**	**With donor restrictions**	**Total**
As previously reported:			
Unrestricted	$ 1,376,432	$ -	$ 1,376,432
Underwater endowment funds	129,095	(129,095)	-
Temporarily restricted	-	16,218,448	16,218,448
Permanently restricted	-	24,844,272	24,844,272
Net assets, as reclassified	$ 1,505,527	$ 40,933,625	$ 42,439,152

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

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall* (Subtopic 825-10). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). ASU 2016-01 also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, ASU 2016-01 eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. All entities that are not public business entities may adopt the amendments in ASU 2016-01 earlier as of the fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Foundation is evaluating the full effect that the adoption of this standard will have on the financial statements.

Subsequent events – The Foundation has evaluated subsequent events through September 24, 2019, which is the date the financial statements were available to be issued.

(2) Pledges receivable

Pledges receivable consist of the following at June 30, 2019:

Receivable in less than one year	$ 1,578,465
Receivable in one to five years	520,728
Receivable in more than five years	53,285
Total pledges receivable	2,152,478
Less discount to net present value	(115,529)
Less allowance for uncollectable pledges	(46,549)
Net pledges receivable	$ 1,990,400

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, 2019:

Equity funds:	
Common stock funds - United States	$ 4,552,060
Common stock funds - emerging markets	1,514,823
Common stock funds - international	3,947,503
Exchange traded funds - global region	1,445,838
Exchange traded funds - United States	3,689,446
Fixed Income funds:	
Government agencies - United States	12,846,321
Government bonds	829,116
Corporate bonds - United States	3,252,910
Exchange traded funds - fixed income	3,086,985
Real estate funds - United States	1,172,887
Partnerships:	
Partnerships - United States	4,551,347
Hedge funds:	
Hedge equity funds - United States	1,394,145
Total investments	$ 42,283,381

The following summarizes the investment return for the year ended June 30, 2019:

	Without donor restrictions	With donor restrictions	Total
Interest and dividends	$ 311,028	$ 804,331	$ 1,115,359
Net realized and unrealized gains	436,215	911,189	1,347,404
Brokerages fees	(34,647)	(117,829)	(152,476)
Total	$ 712,596	$ 1,597,691	$ 2,310,287

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 $2,545,000 as of June 30, 2019. 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 restricted in perpetuity and are included in net assets with donor restriction as of June 30, 2019 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 $290,794 at June 30, 2019. The assets aggregating approximately $743,000 held under these split-interest agreements at June 30, 2019 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 $134,803 for the year ended June 30, 2019. 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 $1,097,919 for the year ended June 30, 2019. These amounts are reflected in the statement of activities as contributed space and services and general and administrative expenses.

(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, 2019:

	Level 1	Investments Measured at NAV	Total
Equity funds:			
Common stock funds - United States	$ 1,400,321	$ 3,151,739	$ 4,552,060
Common stock funds - emerging markets	703,843	810,980	1,514,823
Common stock funds - international	657,034	3,290,469	3,947,503
Exchange traded funds - global region	1,445,838	-	1,445,838
Exchange traded funds - United States	3,689,446	-	3,689,446
Fixed Income funds:			
Government agencies - United States	-	12,846,321	12,846,321
Government bonds	829,116	-	829,116
Corporate bond - United States	3,252,910	-	3,252,910
Exchange traded funds - fixed income	3,086,985	-	3,086,985
Real estate funds - United States	1,172,887	-	1,172,887
Partnerships - United States	-	4,551,347	4,551,347
Hedge equity funds - United States	316,856	1,077,289	1,394,145
	$ 16,555,236	$ 25,728,145	$ 42,283,381

The Foundation did not have any Level 2 or Level 3 investments as of June 30, 2019. 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, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Government agencies fund - United States				
Common Daily Aggregate Bond Index fund	$ 12,846,321	$ -	Daily	One business day
Common stock funds - emerging markets				
Emerging markets fund	810,980	-	Daily	One business day
Common stock funds - International				
International securities fund	857,527	-	Daily	One business day
Common Daily EAFE	2,432,942	-	Daily	One business day
Common stock funds - United States				
S&P 500 Index fund	3,151,739	-	Daily	One business day
Partnerships - United States				
Makena Capital Associates	1,392,223	-	Annual	One year
Makena Endowment Fund	3,159,124	-	Annual	One year
Hedge equity funds - United States				
Northern Trust Alpha Strategies fund	1,077,289	-	Quarterly	60 days prior to Quarter
Total	$ 25,728,145	$ -		

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.

(7) Fair value measurement (continued)

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.

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.

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, 2019:

Restricted for purposes or periods	
Scholarship awards and program support	$ 10,796,107
Accumulated endowment earnings subject to spending policy, net of losses	5,828,108
	16,624,215
Restricted in perpetuity	
Pledges receivable	215,498
Cash surrender value of life insurance	292,084
Endowment fund subject to the Foundation's spending policy	25,387,709
Total net assets restricted in perpetuity	25,895,291
Total net assets with restrictions	$ 42,519,506

Net assets released from restriction for the year ended June 30, 2019 consisted of the following:

Program support	$ 1,602,709
Scholarships	2,972,634
Administrative fees	528,818
Total net assets released from restriction	$ 5,104,161

(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

(9) Endowments (continued)

The changes in endowment net assets for the year ended June 30, 2019 are as follows:

	With donor restrictions
Endowment net assets, July 1, 2018	$ 29,776,104
Contributions and pledge collections	1,385,877
Change in donor intent	25,866
Interest and dividends, net of fees	686,502
Realized and unrealized gains	911,189
Appropriation of endowment assets for expenditure	(1,569,721)
Endowment net assets, June 30, 2019	$ 31,215,817

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% for the year ended June 30, 2019 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, 2019. 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, 2019 earnings of $1,368,117 were eligible to be distributed. The unused funds of $215,783 were maintained in the endowment funds to be used for future disbursements as of June 30, 2019.

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 $246,994 as of June 30, 2019. 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, 2019 is as follows:

Total corpus of underwater funds	$ 2,223,011
Total fund balance of underwater funds	1,976,017
Total balance of underwater funds	$ 246,994

(10) Liquidity and availability of resources

As of June 30, 2019, 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	$ 695,851
Pledges receivable due within one year	1,578,465
Investments available to be liquidated with one year	37,732,034
Cash held for endowment	684,323
Total financial assets available within one year	40,690,673
Adjusted by	
Amounts unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions for specific purposes	(10,796,107)
Endowment funds subject to spending policies	(31,215,817)
Investments held to fund split interest agreements	(743,000)
Total amounts unavailable for general expenditure within one year	(42,754,924)
Estimated endowment earnings to be appropriated for use within one year	2,098,539
Financial assets available to meet cash needs for general expenditure within one year	$ 34,288

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 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, 2020. As such, estimated endowment earnings and fees to be appropriated for use within one year has been estimated as an approximate $2 million increase to financial assets available to meet cash needs for general expenditure within one year.