

**NORTHLAND PIONEER COLLEGE FRIENDS AND FAMILY, INC.**



**FINANCIAL STATEMENTS  
JUNE 30, 2018 and 2017**



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## Independent Auditor's Report

To the Board of Directors  
Northland Pioneer College Friends and Family, Inc.  
Snowflake, AZ

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northland Pioneer College Friends and Family, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years 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 the 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.

### Auditor's Responsibility

Our Responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgement, 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 Northland Pioneer College Friends and Family, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Brian Richards, CPA*

Snowflake, AZ  
August 22, 2018

Northland Pioneer College Friends and Family, Inc.  
 Statements of Financial Position  
 June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Cash - checking and savings	\$ 120,377	\$ 140,364
Cash - checking and savings - restricted	25,889	24,072
Investments - marketable securities	295,573	230,362
Investments - marketable securities - restricted	223,278	158,370
Real estate held for investment	8,000	8,000
Total assets	\$ 673,117	\$ 561,168
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ -	\$ -
Total liabilities	-	-
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	128,377	107,579
Designated by the Board for endowment	366,573	281,570
Designated by the Board for scholarships	25,889	24,072
	520,839	413,221
With donor restrictions		
Purpose restrictions	152,278	147,947
Total net assets	673,117	561,168
Total liabilities and net assets	\$ 673,117	\$ 561,168

Northland Pioneer College Friends and Family, Inc.  
Statement of Activities  
Year Ended June 30, 2018

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 8,907	\$ 73,821	\$ 82,728
Interest and dividends	64	-	64
Net investment return	10,553	4,010	14,563
Gross special events revenue	88,568	-	88,568
Less cost of direct benefits to donors	<u>(18,687)</u>	<u>-</u>	<u>(18,687)</u>
Net special events revenue	69,881	-	69,881
Net assets released from restrictions	<u>71,000</u>	<u>(71,000)</u>	<u>-</u>
Total revenues and other support	<u>160,405</u>	<u>6,831</u>	<u>167,236</u>
<b>EXPENSES</b>			
Program services expense			
Scholarships	<u>43,115</u>	<u>2,500</u>	<u>45,615</u>
Total program expenses	<u>43,115</u>	<u>2,500</u>	<u>45,615</u>
Supporting services expense:			
Management and general	<u>9,672</u>	<u>-</u>	<u>9,672</u>
Total supporting services expense	<u>9,672</u>	<u>-</u>	<u>9,672</u>
Total expenses	<u>52,787</u>	<u>2,500</u>	<u>55,287</u>
Change in net assets	107,618	4,331	111,949
Net assets, beginning of year	<u>413,221</u>	<u>147,947</u>	<u>561,168</u>
Net assets, end of year	<u>\$ 520,839</u>	<u>\$ 152,278</u>	<u>\$ 673,117</u>

Northland Pioneer College Friends and Family, Inc.  
Statement of Activities  
Year Ended June 30, 2017

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	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 6,444	\$ 43,968	\$ 50,412
Interest and dividends	55	-	55
Net investment return	23,786	14,803	38,589
Gross special events revenue	68,711	-	68,711
Less cost of direct benefits to donors	<u>(22,005)</u>	<u>-</u>	<u>(22,005)</u>
Net special events revenue	46,706	-	46,706
Net assets released from restrictions	<u>3,044</u>	<u>(3,044)</u>	<u>-</u>
Total revenues and other support	<u>80,035</u>	<u>55,727</u>	<u>135,762</u>
<b>EXPENSES</b>			
Program services expense			
Scholarships	<u>35,109</u>	<u>-</u>	<u>35,109</u>
Total program expenses	<u>35,109</u>	<u>-</u>	<u>35,109</u>
Supporting services expense:			
Management and general	<u>16,673</u>	<u>-</u>	<u>16,673</u>
Total supporting services expense	<u>16,673</u>	<u>-</u>	<u>16,673</u>
Total expenses	<u>51,782</u>	<u>-</u>	<u>51,782</u>
Change in net assets	28,253	55,727	83,980
Net assets, beginning of year	<u>384,968</u>	<u>92,220</u>	<u>477,188</u>
Net assets, end of year	<u>\$ 413,221</u>	<u>\$ 147,947</u>	<u>\$ 561,168</u>

Northland Pioneer College Friends and Family, Inc.  
 Statements of Cash Flows  
 Years Ended June 30, 2018 and 2017

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	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 82,728	\$ 81,400
Cash received from special events	88,568	68,711
Payments for scholarships	(45,615)	(35,109)
Payments to vendors	(28,359)	(33,576)
Interest and dividends received	64	55
Net cash provided by (used in) operating activities	97,386	81,481
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(115,556)	(40,042)
Proceeds from sales and maturities of investments	-	-
Net cash used in investing activities	(115,556)	(40,042)
Net increase (decrease) in cash	(18,170)	41,439
Cash and cash equivalents, beginning of year	164,436	122,997
Cash and cash equivalents, end of year	\$ 146,266	\$ 164,436



## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of Northland Pioneer College (NPC) Friends and Family, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

### Nature of the Organization

The Organization is a not-for-profit corporation operating in accordance with Section 501(c)(3) of the Internal Revenue Code. The Organization is located in Snowflake, Arizona, and provides supplemental philanthropic support for students, and programs and services that advance the mission of Northland Pioneer College (NPC). The Organization receives cash contributions, gifts, and administers and invests securities and property; conducts special-event fundraisers; and disburses payments to the College for educational purposes.

### Basis of Accounting

The financial statements have been prepared following the U.S. GAAP Financial Reporting Framework, using the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

### Financial Statement Presentation

The Organization 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 in accordance with the existence or absence of donor restrictions.

### Income Taxes

The Organization is a public non-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 43-1201 of the Arizona Revised Statutes. Therefore, the accompanying financial statements contain no provision or liability for income taxes. In addition, the Organization qualifies for the charitable deduction under Internal Revenue Section 170(b)(1)(A).

The Organization files information tax returns with the U.S. federal and Arizona state governments. With few exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013 (federal) and 2012 (Arizona) as of the year ended June 30, 2018. Federal tax year 2014 and Arizona tax year 2013 were open as of June 30, 2018.

### Contributions

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions.

### Endowment Funds

The Organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which requires enhanced disclosures for all its endowment funds. UPMIFA provides the Organization with guidance on accounting for the net asset classification of endowment funds.

### Discounted or Donated Goods and Services

The Organization receives certain discounted or donated goods and services that directly benefit NPC and the Organization. Amounts for these discounts and donations have been included in the accompanying financial statements to the extent that a measurable basis exists for their fair values and the corresponding benefit to the Organization. These discounted or donated goods and services that are received by the Organization for no value in return are recorded as program and support service expenses and as in-kind donations and are reflected in the financial statements at their fair values. If donated goods merely pass through the Organization to charitable beneficiaries, and if the Organization is only an agent for the donors, no contribution is recorded.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Cash

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

### Property Held for Sale

Certain assets are received from donors by the Organization and are held for resale. Such assets are recorded at approximate fair market values at the date of donation which approximates their fair value at the dates of the Statements of Financial Position. Property held for sale as of June 30, 2018 is reported as real estate investments.

### Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment advisory fees were \$5,742 for the year ended June 30, 2018 and \$4,033 for the year ended June 30, 2017.

### Accounts Receivable

Accounts are determined to be delinquent on an individual basis depending on the nature of the receivable and are written off when deemed uncollectible in management's opinion.

### Property & Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### Subsequent Events

Management has reviewed events subsequent to June 30, 2018 up through the date the financial statements were available to be issued, August 22, 2018, to evaluate their effect on the fair presentation of the financial statements. As of the date the financial statements were available to be issued, there have been no events subsequent to June 30, 2018 that are required to be disclosed in order to present fairly the financial position and changes in net assets of the Organization.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Net Assets – continued

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 146,266	\$ 164,436
Investments	<u>518,851</u>	<u>388,732</u>
Total financial assets	665,117	553,168
Less amounts not available to be used within one year:		
Net assets with donor restrictions	152,278	147,947
Designated by the Board for scholarships	<u>25,889</u>	<u>24,072</u>
	<u>178,167</u>	<u>172,019</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 486,950</u>	<u>\$ 381,149</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

**NOTE 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorized the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

**NOTE 3 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (continued)**

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

Assets	Level 1	Level 3
Cash	\$ 146,266	\$ -
Endowment Investments	518,851	-
Real Estate Investments	-	8,000
<b>Total</b>	<b>\$ 665,117</b>	<b>\$ 8,000</b>

The following table presents assets measured at fair value on a recurring basis at June 30, 2017:

Assets	Level 1	Level 3
Cash	\$ 164,436	\$ -
Endowment Investments	388,732	-
Real Estate Investments	-	8,000
<b>Total</b>	<b>\$ 553,168</b>	<b>\$ 8,000</b>

**NOTE 4 - PROPERTY & EQUIPMENT**

There is no listed property and equipment for the Organization.

**NOTE 5 - RELATED PARTIES**

Northland Pioneer College provides the Organization with office space at no cost. Similarly, there is no charge for related items, such as utilities, insurance, and overhead. The value of these expenses is deemed minimal and has not been reflected on the financial statements as of June 30, 2018 or June 30, 2017.

**NOTE 6 - ENDOWMENT FUNDS**

As of June 30, 2018, NPC Friends and Family's endowments consisted of four funds: One fund established for the Martia A. Smith Memorial Art Scholarship, one for the Charles E. Listizky Scholarship, one for Prescott Winslow Memorial Scholarship and one for NPC Friends and Family. The latter was established in October 2014 to assure the future viability of the organization.

## **NOTE 6 - ENDOWMENT FUNDS (continued)**

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of NPC Friends and Family has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NPC Friends and Family classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund earnings that are not classified in permanently restricted net assets are classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by NPC Friends and Family in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, NPC Friends and Family considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the various funds; (2) The purposes of the donor-restricted endowment funds; (3) General economic conditions; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of NPC Friends and Family; and (7) NPC Friends and Family's investment policies.

The four endowments are managed in separate investment accounts. Transactions within each individual endowment are based on the unit market value at the end of the month during which the transaction takes place for withdrawals and additions. It is the goal of NPC Friends and Family that the total return from each endowment investment should be adequate to meet the following objectives:

- Preserve investment capital and its purchasing power
- Generate sufficient resources to meet spending needs (payout)
- Attain reasonable capital appreciation, through prudent acceptance of risk, to enhance the future purchasing power of the investment capital.

As of June 30, 2018, the endowment assets were invested in marketable securities with Edward Jones. The investments were fully insured by the Securities Investor Protection Corporation (SIPC).

All endowment investments are carried at fair value and classified as non-current regardless of maturity due to restrictions limiting NPC Friends and Family's ability to use these investments. Each endowed account shall have a minimum of \$10,000, said amount to be reached within a three (3) year period from the time of initial donation, which must be at least \$5,000. If, after the three (3) year period has expired, the account has not reached the minimum level prescribed, the contributors to the fund shall have two options: (a) Award the existing amount over a designated period; or (b) authorize combining the fund with another, compatible, existing endowment fund. The three-year period may be waived if a plan has been designed with another approved time period and approved by the Board of Directors. All interest earned in developing endowed accounts shall revert to the fund corpus during the three-year period. No awards shall be made from the developing fund during the three-year period, unless the minimum balance of \$10,000 is reached prior the end of the three-year period. For June 30, 2017, no NPC Friends and Family endowment investment accounts held less than \$10,000.

The contributor to the fund may impose additional provisions for the scholarships paid from endowments. As of June 30, 2018, there were no distributions from the investment earnings on endowed scholarships. To ensure observance of limitations and restrictions placed on the use of resources available to NPC Friends and Family, net assets, revenues and expenses are classified and reported as follows, based on the existence or absence of donor-imposed restrictions.

**NOTE 6 - ENDOWMENT FUNDS (continued)**

*Net Assets with Donor Restrictions* - include permanent endowments. Such funds are generally subject to donor restrictions requiring the principal to be invested in perpetuity for the purpose of producing income that may be expended or added to principal in accordance with the donor's wishes. As of June 30, 2018, the Martia A. Smith Memorial Art Scholarship endowment agreement requires the average rate of inflation for the prior calendar year (approximately 0.0% and 1.6%, respectively) of investment earnings to be added back to permanently restricted funds. Contributions designated by donors for use by particular entities or programs or for specific purposes or earnings from permanently restricted endowments, which have not been appropriated for their intended purpose. Term endowments are temporarily restricted, because they are permanent-type endowments, which include an expiration date or stated period of time or occurrence of a specified event, after which all or part of the principal may be expended.

*Net Assets without Donor Restrictions* - are not subject to donor-imposed restrictions. They also include Board Restricted endowments, of which the corpus can be invaded upon a vote by the Board. The NPC Friends and Family Endowment, established October 2014, falls into this category.

As of June 30, 2018 and 2017, the Organization had the following net asset composition by type of fund:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 240,785	\$ 147,947	\$ 388,732
Investment return, net	10,553	4,010	14,563
Contributions	115,235	2,821	118,056
Distributions from board-designated endowment pursuant to policy	-	(2,500)	(2,500)
Endowment net assets, end of year	\$ 366,573	\$ 152,278	\$ 518,851
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 256,472	\$ 92,220	\$ 348,692
Investment return, net	23,786	14,803	38,589
Contributions	3,663	43,968	47,631
Distributions from board-designated endowment pursuant to policy	(43,136)	(3,044)	(46,180)
Endowment net assets, end of year	\$ 240,785	\$ 147,947	\$ 388,732

**NOTE 7 - FUNCTIONAL EXPENSES**

	2018		
	Program	Support	Total
	Services	Services	
Advertising	\$ -	\$ -	\$ -
Bank service charges	-	-	-
Contract services	-	5,500	5,500
Insurance	-	772	772
Office expenses	-	3,400	3,400
Event expenses	18,687	-	18,687
Scholarships	45,615	-	45,615
	\$ 64,302	\$ 9,672	\$ 73,974

	2017		
	Program	Support	Total
	Services	Services	
Advertising	\$ -	\$ 724	\$ 724
Bank service charges	-	243	243
Contract services	-	5,850	5,850
Insurance	-	4,269	4,269
Office expenses	-	5,587	5,587
Event expenses	22,005	-	22,005
Scholarships	35,109	-	35,109
	\$ 57,114	\$ 16,673	\$ 73,787

**NOTE 8 - RECLASSIFICATIONS**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.