

NORTHLAND PIONEER COLLEGE FRIENDS AND FAMILY, INC.



FINANCIAL STATEMENTS
JUNE 30, 2017

NORTHLAND PIONEER COLLEGE FRIENDS AND FAMILY, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-10



405 W F-Bar Ln, Snowflake, AZ 85937
brianrichardscpa@outlook.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Northland Pioneer College Friends and Family, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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.

Auditor's 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 auditor's 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 Northland Pioneer College Friends and Family, Inc. as of June 30, 2017, 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.

Brian Richards, CPA

Brian Richards, CPA
Snowflake, AZ

August 21, 2017

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

ASSETS

	2017
Assets	
Cash	
Checking and savings	\$ 140,364
Checking and savings-restricted	24,072
Total cash	164,436
Investments	
Marketable securities	230,362
Marketable securities-restricted	158,370
Real Estate	8,000
Total investments	396,732
Total Assets	\$ 561,168

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ -
Total Liabilities	-
Net Assets	
Unrestricted	
Unrestricted, undesignated	148,363
Board designated, scholarships	24,072
Temporarily restricted	281,572
Permanently restricted	107,161
Total net assets	561,168
Total Liabilities and Net Assets	\$ 561,168

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support				
Contributions	\$ 65,048	\$ 3,663	\$ 40,494	\$ 109,205
Interest & dividend income	55	1,819	1,137	3,011
Realized gain on investments	-	29,034	16,867	45,901
Other income	6,444	-	3,474	9,918
Net assets (released) increased to/from restrictions	46,180	(43,136)	(3,044)	-
Total Revenues, Gains, and Other Support	<u>117,727</u>	<u>(8,620)</u>	<u>58,928</u>	<u>168,035</u>
Expenses and Losses				
Program services	57,114	-	-	57,114
Support services	16,673	-	-	16,673
Unrealized loss on investments	-	4,295	1,478	5,772
Investment fees	-	2,772	1,723	4,495
Total Expenses and Losses	<u>73,787</u>	<u>7,067</u>	<u>3,201</u>	<u>84,055</u>
Increase (Decrease) in Net Assets	43,940	(15,686)	55,727	83,981
Net Assets, Beginning of Year	<u>128,496</u>	<u>256,472</u>	<u>92,220</u>	<u>477,188</u>
Net Assets, End of Year	<u>\$ 172,436</u>	<u>\$ 240,785</u>	<u>\$ 147,947</u>	<u>\$ 561,168</u>

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

	2017
Cash Flows From Operating Activities	
Increase in net assets	\$ 83,981
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Increase (Decrease):	
Accounts Payable	(3,801)
(Increase) Decrease:	
Prepaid expense	1,301
Net Cash Provided by (Used in) Operating Activities	81,481
 Cash Flows From Investing Activities	
Purchases of marketable securities	(40,042)
Net Cash Used in Investing Activities	(40,042)
 Net Increase (Decrease) in Cash	41,439
 Cash, Beginning of Year	122,997
 Cash, End of Year	\$ 164,436

Northland Pioneer College Friends and Family, Inc.
Notes to Financial Statements
June 30, 2017

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 2012 (federal) and 2011 (Arizona) as of the year ended June 30, 2017. Federal tax year 2013 and Arizona tax year 2012 were open as of June 30, 2017.

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.

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.

Northland Pioneer College Friends and Family, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017 is reported as real estate investments.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets.

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.

Date of Management's Review

Management has reviewed events subsequent to June 30, 2017 up through the date the financial statements were available to be issued, August 21, 2017, 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, 2017 that are required to be disclosed in order to present fairly the financial position and changes in net assets of the Organization.

NOTE 2 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - CASH FLOW INFORMATION

There were no non-cash financing transactions during the fiscal year 2017. The Organization paid no interest or income tax during the fiscal year 2017.

NOTE 4 - MAJOR CONCENTRATIONS

During the year ended June 30, 2017, there were no major contributions by any one donor.

Northland Pioneer College Friends and Family, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 5 - CASH

The total cash held by the Organization as of June 30, 2017 is as follows:

	2017
Checking	\$ 32,637
Money market	107,727
Restricted scholarships account	24,072
Total	\$ 164,436
Unrestricted cash	\$ 140,364
Restricted cash	24,072
Total	\$ 164,436

NOTE 6 – INVESTMENTS

For the year ended June 30, 2017, investments consisted of marketable securities held with Edward Jones and real estate comprising several lots of land. As of June 30, 2017, the marketable securities had a fair market value of \$388,732, and the real estate value was approximately \$8,000.

The marketable securities investments are stated at the aggregate fair market value as of June 30, 2017 as follows:

	2017	
	Market Value	Cost
Mutual funds	\$ 388,732	\$337,624
Total	\$ 388,732	\$337,624
Unrestricted investments	\$ -	
Restricted investments	388,732	
Total	\$ 388,732	

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table represents the Organization's fair value hierarchy for its financial assets (cash and investments) measured at fair value on a recurring basis as of June 30, 2017.

Level 1 inputs: Quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date.

Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include interest rates at commonly quoted intervals and other inputs not directly observable, but derived principally from, or corroborated by, observable market data.

Level 3 inputs: Unobservable inputs for the asset which are therefore based primarily upon management's own estimates, the economic and competitive environment, the characteristics of the asset and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset.

Northland Pioneer College Friends and Family, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 7 - FAIR VALUE MEASUREMENTS (continued)

	Level 1	Level 2	Level 3	Total Fair Value
Cash	\$164,436	-	-	\$164,436
Investments:				
Marketable Securities	388,732	-	-	388,732
Real Estate	-	-	8,000	8,000
Total	\$553,168	\$ -	\$8,000	\$561,168

NOTE 8 - PROPERTY & EQUIPMENT

There is no listed property and equipment for the Organization.

NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets in the amount of \$281,572 as of June 30, 2017, consist of donated contributions and investment earnings, which are available for scholarships in future years. Permanently restricted net assets of \$107,161 as of June 30, 2017, represent endowed scholarship funds which must be invested in perpetuity.

NOTE 10 - 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, 2017.

NOTE 11 - ENDOWMENT FUNDS

As of June 30, 2017, NPC Friends and Family's endowments consisted of three funds: One fund established for the Martia A. Smith Memorial Art Scholarship, one for the Charles E. Listizky Scholarship, one for and one for NPC Friends and Family. The latter was established in October 2014 to assure the future viability of the organization.

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.

Northland Pioneer College Friends and Family, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 11 - ENDOWMENT FUNDS (continued)

The three 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, 2017, 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, 2017, 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.

Permanently restricted net assets 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, 2017, 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.

Temporarily restricted net assets relate to 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.

Unrestricted net assets 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.

Northland Pioneer College Friends and Family, Inc.
Notes to Financial Statements
June 30, 2017

NOTE 11 - ENDOWMENT FUNDS (continued)

Endowment funds consisted of the following as of June 30, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	\$ 256,472	\$ 92,220	\$ 348,692
Contributions received	3,663	40,494	44,157
Investment earnings (loss), net of fees	23,786	18,277	42,063
Net assets released	(43,136)	(3,044)	(46,180)
Balance, June 30, 2017	<u>\$ 240,785</u>	<u>\$ 147,947</u>	<u>\$ 388,732</u>

NOTE 12 - FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	Program Services	Support Services	Total
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
	<u>\$ 57,114</u>	<u>\$ 16,673</u>	<u>\$ 73,787</u>