

**NORTHLAND PIONEER
COLLEGE FOUNDATION, INC.**

FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	
Statements of Financial Position	1
Statements of Activities	2-3
Statements of Cash Flows	4
Notes to Financial Statements	5-13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northland Pioneer College Foundation, Inc.

We have audited the accompanying financial statements of Northland Pioneer College Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 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 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 audits 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 Foundation, Inc. as of June 30, 2014 and 2013, 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.



Guest, Schutte & Cospers
Flagstaff, Arizona

September 16, 2014

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	ASSETS	
	2014	2013
Assets		
Cash		
Checking and savings	\$ 33,788	\$ 81,656
Checking and savings-restricted	3,170	46,675
Total cash	36,958	128,331
Investments		
Marketable securities	-	356
Marketable securities- restricted	127,497	111,868
Real estate	8,000	8,000
Total investments	135,497	120,224
Accounts receivable	-	1,666
Prepaid expense	8,524	7,348
Property & equipment, net of accumulated depreciation	32,981	34,454
Total Assets	\$ 213,960	\$ 292,023

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 671	\$ 47,198
Building insurance proceeds liability	-	37,470
Total Liabilities	671	84,668
Net Assets		
Unrestricted	82,622	86,281
Temporarily restricted	64,542	55,110
Permanently restricted	66,125	65,964
Total Net Assets	213,289	207,355
Total Liabilities and Net Assets	\$ 213,960	\$ 292,023

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support				
Contributions	\$ 779	\$ 3,459	\$ -	\$ 4,238
In-kind contributions	5,399	-	-	5,399
Interest & dividend income	15	2,609	27	2,651
Rental income	32,955	-	-	32,955
Realized gain on investments	-	15,702	163	15,865
Other income	348	-	-	348
Net assets released from restrictions	9,509	(9,509)	-	-
Total Revenues, Gains, and Other Support	<u>49,005</u>	<u>12,261</u>	<u>190</u>	<u>61,456</u>
Expenses and Losses				
Program services	32,163	-	-	32,163
Support services	20,501	-	-	20,501
Unrealized loss on investments	-	2,003	20	2,023
Investment fees	-	826	9	835
Total Expenses and Losses	<u>52,664</u>	<u>2,829</u>	<u>29</u>	<u>55,522</u>
Increase (Decrease) in Net Assets	(3,659)	9,432	161	5,934
Net Assets, Beginning of Year	<u>86,281</u>	<u>55,110</u>	<u>65,964</u>	<u>207,355</u>
Net Assets, End of Year	<u>\$ 82,622</u>	<u>\$ 64,542</u>	<u>\$ 66,125</u>	<u>\$ 213,289</u>

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support				
Contributions	\$ 810	\$ 2,500	\$ 5,000	\$ 8,310
Grant revenue	5,000	-	-	5,000
In-kind contributions	7,380	-	-	7,380
Interest & dividend income	28	2,809	33	2,870
Rental income	54,728	-	-	54,728
Special events revenue, net	610	-	-	610
Realized gain on sale of investments	8	2,359	28	2,395
Unrealized gain on investments	40	6,170	70	6,280
Net assets released from restrictions	3,985	17,624	(21,609)	-
Total Revenues, Gains, and Other Support	<u>72,589</u>	<u>31,462</u>	<u>(16,478)</u>	<u>87,573</u>
Expenses and Losses				
Program services	47,268	-	-	47,268
Support services	22,349	-	-	22,349
Loss on sale of investment lot	3,500	-	-	3,500
Total Expenses and Losses	<u>73,117</u>	<u>-</u>	<u>-</u>	<u>73,117</u>
Increase (Decrease) in Net Assets	(528)	31,462	(16,478)	14,456
Net Assets, Beginning of Year	<u>86,809</u>	<u>23,648</u>	<u>82,442</u>	<u>192,899</u>
Net Assets, End of Year	<u>\$ 86,281</u>	<u>\$ 55,110</u>	<u>\$ 65,964</u>	<u>\$ 207,355</u>

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities		
Increase in net assets	\$ 5,934	\$ 14,456
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	1,473	1,473
Loss on sale of investment lot	-	3,500
Realized gain on sale of investments	(15,865)	(2,395)
Unrealized gain (loss) on investments	2,023	(6,280)
(Increase) Decrease:		
Accounts receivable	1,666	131
Prepaid expense	(1,176)	(1,948)
Utility deposit	-	1,705
Increase (Decrease):		
Accounts payable	(46,527)	43,204
Building insurance proceeds liability	(37,470)	37,470
Net Cash Provided by (Used in) Operating Activities	(89,942)	91,316
 Cash Flows From Investing Activities		
Purchases of marketable securities	(115,032)	(24,034)
Proceeds from sales of marketable securities	113,601	18,204
Proceeds from sale of investment lot	-	500
Net Cash Used in Investing Activities	(1,431)	(5,330)
 Net Increase (Decrease) in Cash	(91,373)	85,986
 Cash, Beginning of Year	128,331	42,345
 Cash, End of Year	\$ 36,958	\$ 128,331

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of Northland Pioneer College Foundation, Inc. (the Foundation) are described below to enhance the usefulness of the financial statements to the reader.

Nature of the Foundation

The Foundation is a not-for-profit corporation operating in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation 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 Foundation receives cash contributions, gifts, membership dues, and rental income; 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 Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets in accordance with the existence or absence of donor restrictions.

Income Taxes

The Foundation is a public foundation 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 Foundation qualifies for the charitable deduction under Internal Revenue Section 170(b)(1)(A).

The Foundation files information tax returns with the U.S. federal and Arizona state governments. With few exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2010 (federal) and 2009 (Arizona) as of the year ended June 30, 2014. Federal tax year 2009 and Arizona tax year 2008 were open as of June 30, 2013.

Contributions

The Foundation 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 Foundation 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 Foundation with guidance on accounting for the net asset classification of endowment funds.

Discounted or Donated Goods and Services

The Foundation receives certain discounted or donated goods and services that directly benefit NPC and the Foundation. 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 Foundation. These discounted or donated goods and services that are received by the Foundation 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 Foundation to charitable beneficiaries, and if the Foundation is only an agent for the donors, no contribution is recorded. Contributed services in the amounts of \$5,399 and \$7,380 were received for the years ended June 30, 2014 and 2013, respectively, for supporting legal, accounting and administrative services.

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

For purposes of the Statement of Cash Flows, the Foundation 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 Foundation and are held for resale. Such assets are recorded at their 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, 2014 and 2013 are 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. No allowance for doubtful accounts is included, as management considered the entire amount due at June 30, 2013 to be collectible.

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 Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 10 – 40 years.

Date of Management's Review

Management has reviewed events subsequent to June 30, 2014 up through the date the financial statements were available to be issued, September 15, 2014, 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, 2014 that are required to be disclosed in order to present fairly the financial position and changes in net assets of the Foundation.

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.

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3 - CASH FLOW INFORMATION

There were no non-cash financing transactions during the fiscal years 2014 and 2013. The Foundation paid no interest or income tax during the fiscal years 2014 and 2013.

NOTE 4 - MAJOR CONCENTRATIONS

During the year ended June 30, 2014 or 2013, there were no major contributions by any one donor.

NOTE 5 - CASH

The total cash held by the Foundation as of June 30, 2014 and 2013 is as follows:

	2014	2013
Checking	\$ 10,661	\$ 92,035
Money market	17,990	27,989
Restricted Scholarships account	8,307	8,307
Total	<u>\$ 36,958</u>	<u>\$ 128,331</u>
Unrestricted cash	\$ 33,788	\$ 81,656
Restricted cash	3,170	46,675
Total	<u>\$ 36,958</u>	<u>\$ 128,331</u>

NOTE 6 - INVESTMENTS

For the years ended June 30, 2014 and 2013, investments consisted of marketable securities held with Edward Jones and real estate comprising several lots of land. As of June 30, 2014, the marketable securities had a fair market value of \$127,497, and the real estate value was approximately \$8,000. As of June 30, 2013, the marketable securities had a fair market value of \$112,224, and the real estate was valued at \$8,000.

The marketable securities investments are stated at the aggregate fair market value as of June 30, 2014 and 2013 as follows:

	2014		2013	
	Market Value	Cost	Market Value	Cost
Unit trusts	\$ -	\$ -	\$ 16,711	\$ 15,468
Mutual funds	127,497	119,396	95,513	100,843
Total	<u>\$ 127,497</u>	<u>\$ 119,396</u>	<u>\$ 112,224</u>	<u>\$ 116,311</u>
Unrestricted investments	\$ -		\$ 356	
Restricted investments	127,497		111,868	
Total	<u>\$ 127,497</u>		<u>\$ 112,224</u>	

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 - INVESTMENTS (continued)

In May of 2013, the Foundation sold its investment in a vacant lot in Winslow, Arizona for \$500. The Foundation's estimated fair value for this lot was \$4,000, resulting in an investment loss of \$3,500. The buyer of the lot agreed to pay for selling costs.

NOTE 7 - FAIR VALUE MEASUREMENTS

The following table represents the Foundation's fair value hierarchy for its financial assets (cash and investments) measured at fair value on a recurring basis as of June 30, 2014 and 2013.

Level 1 inputs: Quoted prices in active markets for identical assets that the Foundation 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.

	Level 1	Level 2	Level 3	Total Fair Value
<i>As of June 30, 2014</i>				
Cash	\$ 36,958	\$ -	\$ -	\$ 36,958
Investments:				
Marketable Securities	127,497	-	-	127,497
Real Estate	-	-	8,000	8,000
Total	<u>\$ 164,455</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 172,455</u>
<i>As of June 30, 2013</i>				
Cash	\$ 128,331	\$ -	\$ -	\$ 128,331
Investments:				
Marketable Securities	112,224	-	-	112,224
Real Estate	-	-	8,000	8,000
Total	<u>\$ 240,555</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ 248,555</u>

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 8 - PROPERTY & EQUIPMENT

Property and equipment as of June 30, 2014 and 2013 consists of the following:

	2014	2013
Building	\$ 50,000	\$ 50,000
Furniture & equipment	2,233	2,233
Land	10,000	10,000
Total	<u>62,233</u>	<u>62,233</u>
Less Accumulated Depreciation	<u>(29,252)</u>	<u>(27,779)</u>
Property & Equipment, Net	<u>\$ 32,981</u>	<u>\$ 34,454</u>

NOTE 9 - BUILDING INSURANCE PROCEEDS LIABILITY

In January of 2013, a water leak occurred at the Foundation's building in Holbrook resulting in significant flood damage. The Foundation submitted an insurance claim of \$134,307, which was approved. As of June 30, 2013, total insurance proceeds actually received were \$125,979 and total related expenditures were \$88,509, resulting in \$37,470 to be expended in the following fiscal year after all final insurance proceeds have been received. Repairs were completed in the fiscal year ended June 30, 2014.

NOTE 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets in the amounts of \$64,542 and \$55,110 as of June 30, 2014 and 2013, respectively, consist of donated contributions and investment earnings, which are available for scholarships in future years. Permanently restricted net assets of \$66,125 and \$65,964 as of June 30, 2014 and 2013, respectively, represent endowed scholarship funds which must be invested in perpetuity.

NOTE 11 - OPERATING LEASES

As discussed in the related parties footnote, the Foundation began leasing fitness equipment from NPC commencing July 1, 2010 for a 36-month term with annual rent of \$1. Beginning October 1, 2010 the Foundation began subleasing this fitness equipment to the City of Holbrook for a 36-month term with annual rent of \$2,000, which was payable annually for the year in arrears. At the expiration of the lease term, the fitness equipment was transferred to the City of Holbrook.

As discussed in the related parties footnote, the Foundation has an amended operating lease agreement with NPC to rent to them a building and parking lot located in Holbrook, Arizona. The term began February 14, 2006 and ends on February 13, 2015. Monthly rental payments began at \$8,239 per month with an annual step-down rental provision. Notwithstanding the Foundation's actual ability to lease a portion of the property to others, commencing on March 1, 2011 and on each March 1 thereafter, NPC's monthly rental obligations for the year shall be reduced by a minimum of 20%, and shall not be increased for any reason thereafter.

Taking this step-down rental provision into account, the future minimum rental payments to be received under this operating lease is \$13,184 in 2015.

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 12 - RELATED PARTIES

For the year ended June 30, 2013 and a portion of the year ended June 30, 2014, the Foundation subcontracted its Executive Director and made payments to Chugg Financial Services, LLC, a company that is owned and operated by its former Executive Director.

NPC provides the Foundation 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, 2014 and 2013.

For the years ended June 30, 2014 and 2013, the Foundation leased fitness equipment from NPC with annual rent of \$1.

The Foundation owns a building and parking lot in Holbrook, Arizona, which was leased to NPC for general offices during the years ended June 30, 2014 and 2013. The Foundation is responsible for all utilities, insurance, repairs and maintenance, and improvements.

NOTE 13 - ENDOWMENT FUNDS

As of June 30, 2014 and 2013, the Foundation's endowment consisted of one fund established for the Martia A. Smith Memorial Art Scholarship. Prior to 2012, the Foundation had an additional endowment established for the Charles E. Lisitzky Scholarship. Effective July 1, 2012, the Lisitzky Scholarship agreement was amended to allow the Foundation to use all of the original endowment, subsequent additions to the fund, and all investment earnings at its sole discretion. Accordingly, 100% of its value as of July 1, 2012 was recharacterized from a permanently restricted endowment to a temporarily restricted scholarship fund.

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 the Foundation has interpreted 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, the Foundation 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 the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 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 the Foundation, and (7) the Foundation's investment policies.

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13 - ENDOWMENT FUNDS (continued)

Endowments are managed in a unitized investment pool. Transactions within each individual endowment in the pool 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 the Foundation that the total return from endowment investments 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, 2014 and 2013, 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 the Foundation'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 active 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 to the end of the three-year period.

The contributor to the fund may impose additional provisions for the scholarships paid from endowments. As of June 30, 2014 and 2013, 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 the Foundation, 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 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, 2014 and 2013, the Martia A. Smith Memorial Art Scholarship endowment agreement requires the average rate of inflation for the prior calendar year (approximately 1.5% and 1.7%, 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 Foundation had no unrestricted endowments at June 30, 2014 or 2013.

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 13 - ENDOWMENT FUNDS (continued)

Endowment funds consisted of the following as of June 30, 2014 and 2013:

	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2012	\$ 14,957	\$ 82,442	\$ 97,399
Contributions received	-	5,000	5,000
Recharacterization of Lisitzky fund	(11,436)	(21,609)	(33,045)
Investment earnings	7,596	131	7,727
Balance, June 30, 2013	11,117	65,964	77,081
Contributions received	-	-	-
Investment earnings, net of fees	10,584	161	10,745
Scholarships awarded	-	-	-
Balance, June 30, 2014	<u>\$ 21,701</u>	<u>\$ 66,125</u>	<u>\$ 87,826</u>

NOTE 14 - FUNCTIONAL EXPENSES

	For the year ended June 30, 2014		
	Program Services	Support Services	Total
Bad debt expense	\$ -	\$ 1,666	\$ 1,666
Bank service charges	-	493	493
Building insurance, maint., and utilities	9,125	-	9,125
Depreciation	1,473	-	1,473
Equipment rental and maintenance	2,138	-	2,138
Legal and accounting	-	13,499	13,499
Licenses and fees	-	1,369	1,369
Miscellaneous	-	380	380
Office supplies	-	146	146
Outside contract services	7,068	2,647	9,715
Printing and copying	-	122	122
Travel/conference	-	179	179
Scholarships	12,359	-	12,359
Total	<u>\$ 32,163</u>	<u>\$ 20,501</u>	<u>\$ 52,664</u>

NORTHLAND PIONEER COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 14 - FUNCTIONAL EXPENSES (continued)

	For the year ended June 30, 2013		
	Program Services	Support Services	Total
Alumni project	\$ 840	\$ -	\$ 840
Annual/director meetings	-	646	646
Bank service charges	-	807	807
Building insurance, maint., and utilities	7,312	-	7,312
Depreciation	1,473	-	1,473
Equipment rental and maintenance	2,000	-	2,000
Legal and accounting	780	10,711	11,491
Licenses and fees	-	1,394	1,394
Miscellaneous	-	1,580	1,580
Office supplies	-	124	124
Outside contract services	18,038	6,753	24,791
Postage and delivery	-	56	56
Printing and copying	-	34	34
Travel/conference	-	244	244
Grant disbursement	5,000	-	5,000
Scholarships	11,825	-	11,825
Total	\$ 47,268	\$ 22,349	\$ 69,617

NOTE 15 - SUBSEQUENT EVENTS

Effective, July 30, 2014, the Foundation changed its name with the Arizona Corporation Commission to Northland Pioneer College Friends and Family, Inc.