

***BROPHY
COMMUNITY
FOUNDATION***

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2023 and 2022**

Tull Forsberg & Olson

Professional Limited Liability Company



Certified Public Accountants

BROPHY COMMUNITY FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statements of Financial Position June 30, 2023 and 2022	3
Statements of Activities For the Years Ended June 30, 2023 and 2022	4
Statement of Functional Expenses For the Year Ended June 30, 2023	5
Statement of Functional Expenses For the Year Ended June 30, 2022	6
Statements of Cash Flows For the Years Ended June 30, 2023 and 2022	7
Notes to Financial Statements For the Years Ended June 30, 2023 and 2022	8 - 12



October 23, 2023

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brophy Community Foundation
Phoenix, Arizona

Opinion

We have audited the accompanying financial statements of Brophy Community Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brophy Community Foundation as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brophy Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

Keith C. Forsberg
Timothy J. Fyan
Lynn C. Olson
Philip D. Miller
John D. Morse
Mitchell L. Robinaugh
Quynh L. Yubeta

Of Counsel

John J. Tull
Franklin C. Forsberg
Richard A. Kobasic

INDEPENDENT AUDITORS' REPORT - CONTINUED

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brophy Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Brophy Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brophy Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tull Furlong & Olson, P.C.

BROPHY COMMUNITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS		<u>2023</u>	<u>2022</u>
ASSETS			
Cash and cash equivalents		\$ 22,958,295	\$ 21,931,629
Other assets		<u>259</u>	<u>259</u>
TOTAL ASSETS		<u>\$ 22,958,554</u>	<u>\$ 21,931,888</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Due to related party		\$ 7,949	-
Student Grants Payable Arising from Individual Donations			
Brophy College Preparatory		2,953,627	3,332,915
Other schools		19,558	27,610
Student Grants Payable Arising from Plus Donations			
Brophy College Preparatory		1,572,692	2,115,200
Other schools		2,575	10,275
Student Grants Payable Arising from Corporate Donations			
Brophy College Preparatory		5,336,300	5,817,115
Other schools		<u>4,506,983</u>	<u>4,375,011</u>
TOTAL LIABILITIES		<u>14,399,684</u>	<u>15,678,126</u>
 NET ASSETS			
Without donor restrictions		<u>8,558,870</u>	<u>6,253,762</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 22,958,554</u>	<u>\$ 21,931,888</u>

See Independent Auditors' Report.

The accompanying notes are an integral part of these financial statements.

BROPHY COMMUNITY FOUNDATION

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2023 and 2022

	2023	2022
REVENUES AND OTHER SUPPORT		
Individual tax credit contributions	\$ 985,276	\$ 1,014,849
Plus tax credit contributions	741,243	790,607
Corporate tax credit contributions	8,011,000	10,487,250
Other contributions	68,423	82,330
Contributions of non-financial assets	8,700	8,700
Interest Income		
Individual gifts and donations	\$ 34,512	\$ 636
Plus gifts and donations	15,775	713
Corporate gifts and donations	323,446	11,052
Other	<u>71,506</u>	<u>1,314</u>
Total Interest Income	445,239	13,715
Investment Income		
Corporate gifts and donations	<u>-</u>	<u>4,951</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>10,259,881</u>	<u>12,402,402</u>
EXPENSES		
Program Services		
Individual	688,697	1,862,706
Plus	278,759	1,437,756
Corporate	6,421,944	7,171,677
Other contributions (related party)	<u>300,000</u>	<u>-</u>
Total Program Services	7,689,400	10,472,139
General and administrative	51,445	44,594
Fundraising	<u>213,928</u>	<u>113,795</u>
TOTAL EXPENSES	<u>7,954,773</u>	<u>10,630,528</u>
CHANGE IN NET ASSETS	2,305,108	1,771,874
NET ASSETS WITHOUT DONOR RESTRICTIONS		
at Beginning of Year	<u>6,253,762</u>	<u>4,481,888</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS at End of Year	<u>\$ 8,558,870</u>	<u>\$ 6,253,762</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

BROPHY COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2023

	Program Services				Total Program Services	General and Administrative	Fundraising	Total
	Individual	Plus	Corporate	Other Contributions (Related Party)				
Student grants	\$ 628,600	\$ 242,700	\$ 6,277,710	\$ -	\$ 7,149,010	\$ -	\$ -	\$ 7,149,010
Salaries	38,400	23,040	92,161	-	153,601	13,785	29,539	196,925
Employee benefits	16,100	9,660	38,641	-	64,401	5,780	12,385	82,566
Office supplies	1,893	1,136	4,544	-	7,573	1,010	1,515	10,098
Occupancy	1,305	783	3,132	-	5,220	1,740	1,740	8,700
Insurance	2,130	1,278	5,112	-	8,520	8,520	-	17,040
Operational Bank Charges	-	-	-	-	-	1,215	-	1,215
Donation Bank Charges	-	-	-	-	-	-	47,382	47,382
Miscellaneous	-	-	-	300,000	300,000	201	7,697	307,898
Printing	173	104	414	-	691	345	5,871	6,907
Postage	96	58	230	-	384	192	3,259	3,835
Public relations	-	-	-	-	-	-	104,540	104,540
Professional fees	-	-	-	-	-	18,657	-	18,657
	<u>\$ 688,697</u>	<u>\$ 278,759</u>	<u>\$ 6,421,944</u>	<u>\$ 300,000</u>	<u>\$ 7,689,400</u>	<u>\$ 51,445</u>	<u>\$ 213,928</u>	<u>\$ 7,954,773</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

BROPHY COMMUNITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services			Total Program Services	General and Administrative	Fundraising	Total
	Individual	Plus	Corporate				
Student grants	\$ 1,812,047	\$ 1,407,360	\$ 7,050,095	\$ 10,269,502	\$ -	\$ -	\$ 10,269,502
Salaries	29,718	17,831	71,324	118,873	10,668	22,860	152,401
Employee benefits	10,260	6,156	24,625	41,041	3,683	7,893	52,617
Office supplies	568	341	1,364	2,273	303	455	3,031
Occupancy	1,305	783	3,132	5,220	1,740	1,740	8,700
Insurance	173	104	416	693	693	-	1,386
Bank charges	-	-	-	-	1,500	40,210	41,710
Financial aid analysis	5,950	3,571	14,280	23,801	-	-	23,801
Miscellaneous	2,119	1,271	5,085	8,475	5,650	14,124	28,249
Printing	40	23	94	157	14	115	286
Postage	526	316	1,262	2,104	162	971	3,237
Public relations	-	-	-	-	2,825	25,427	28,252
Professional fees	-	-	-	-	17,356	-	17,356
	<u>\$ 1,862,706</u>	<u>\$ 1,437,756</u>	<u>\$ 7,171,677</u>	<u>\$ 10,472,139</u>	<u>\$ 44,594</u>	<u>\$ 113,795</u>	<u>\$ 10,630,528</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements

BROPHY COMMUNITY FOUNDATION

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,305,108	\$ 1,771,874
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Interest income from investments	-	(14,514)
Changes in Operating Assets and Liabilities:		
Increase/(Decrease) in:		
Due to related party	7,949	(8,232)
Student grants payable	(1,286,391)	2,259,541
	1,026,666	4,008,669
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of certificates of deposit	-	3,632,500
	-	3,632,500
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,026,666	7,641,169
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,931,629	14,290,460
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22,958,295	\$ 21,931,629

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

BROPHY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended June 30, 2023 and 2022

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Brophy Community Foundation (the "Foundation") is a school tuition organization, certified by the Arizona Department of Revenue, located in Phoenix, Arizona that was established in 1998 to receive and distribute donations in the form of tuition aid to students of Brophy College Preparatory (the "School") and other qualified Arizona schools.

The significant accounting policies followed in the preparation of the accompanying financial statements are summarized below.

Financial Statement Presentation

The accompanying financial statements are prepared in accordance with the requirements of the *Not-for-Profits* Topic of the FASB Accounting Standards Codification, which requires the Foundation to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. As of June 30, 2023 and 2022, there were no net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers certain highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents include highly liquid money market mutual funds.

Revenue Recognition

The Foundation accounts for support and revenue under the provisions of the *Revenue Recognition* subtopic of the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification. Contributions received are recorded as donor restricted, or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

BROPHY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Years Ended June 30, 2023 and 2022

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - Continued

The Foundation disaggregates contribution revenue by the contribution type. Contributions represent various donations the Foundation receives to further its mission and operations. The Foundation believes these revenue categories depict how the nature, amount, timing and uncertainty of its revenue and cash flows are affected by economic factors.

In-Kind Donations

Contributions of donated non-cash assets are recorded at their fair values in the period received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Income Taxes

Brophy Community Foundation has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1954 and similar state provisions, and accordingly, there is no provision for income taxes. Income determined to be unrelated business taxable income would be taxable.

The Foundation follows the provisions of the *Income Taxes* topic of the FASB Accounting Standards Codification when accounting for uncertainty in income taxes. The Foundation believes it has no uncertain tax positions that qualify for either recognition or disclosure. As of June 30, 2023 and 2022, due to statutes of limitations, the Foundation is no longer subject to examination of its income tax returns by the federal and state taxing authorities for years prior to 2019 and 2018, respectively.

Reclassification of Prior Period Financial Statements

Certain amounts in the prior period financial statements have been reclassified to confirm to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported change in net assets.

New Accounting Pronouncements

The Foundation adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 230), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, during the years ended June 30, 2023 and 2022, which affects the presentation and disclosure of contributed nonfinancial assets (“in-kind”). The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregation by type.

Subsequent Events

Subsequent events were evaluated through October 23, 2023, which is the date the financial statements were available to be issued.

BROPHY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Years Ended June 30, 2023 and 2022

NOTE 2. STUDENT GRANTS PAYABLE

Arizona law requires the Foundation to allocate at least 90% of the individual, plus and corporate contributions received in a fiscal year to student aid. Pursuant to A.R.S. Sections 43-1603 and 43-1504, Arizona law places specific restrictions on school tuition organizations as to how individual, plus and corporate donations can be awarded.

The Foundation's Board of Directors approves the scholarship amounts that will be paid in the succeeding academic year. Each year the Foundation recognizes a grant expense in the accompanying statements of activities for the amount required by the state to be allocated for student aid. Amounts allocated to future years are recorded as student grants payable in the accompanying statements of financial position. The contributions that the Foundation receives in one fiscal year are required to be paid out in scholarships within the following two fiscal years or reserved for future scholarships for specific students awarded next-year or multi-year scholarships. Therefore, a scholarship that was assigned to one student who has left the private school system is required to be reallocated to another qualified student within the next two fiscal years.

As of June 30, 2023, student grants payable arising from individual, plus, and corporate donors totaled \$2,973,185, \$1,575,267, and \$9,843,283, respectively. All grants payable have been awarded to specific students.

As of June 30, 2022, student grants payable arising from individual, plus, and corporate donors totaled \$3,360,525, \$2,125,475, and \$10,192,126, respectively. All grants payable have been awarded to specific students.

NOTE 3. ECONOMIC DEPENDENCY

The Foundation receives substantially all of its revenues from public donations that result in a state tax credit to the donor. If these tax credits were rescinded, the Foundation would not be able to operate in the same manner as it has in the past.

NOTE 4. MAJOR CONTRIBUTORS

During the years ended June 30, 2023 and 2022, the Foundation received approximately 29% and 24% of its corporate donations from two corporate donors, respectively.

NOTE 5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Foundation to potential concentrations of credit risk consist principally of cash and cash equivalents. The Foundation

BROPHY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Years Ended June 30, 2023 and 2022

NOTE 5. CONCENTRATIONS OF CREDIT RISK - Continued

maintains its cash and cash equivalents in various bank and brokerage accounts, which, at times, may exceed, or are not covered by, FDIC and SIPC insurance limits. The Foundation has not experienced any losses in such accounts.

NOTE 6. FUNCTIONAL CLASSIFICATION OF EXPENSES

The Foundation's primary program activity is to receive and distribute donations in the form of tuition aid grants to students. Natural expenses attributable to more than one functional expense category are allocated based on a variety of cost allocated techniques such as percentage or time and effort. All other costs are charged directly to the appropriate functional category.

NOTE 7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and certificates of deposit.

Financial assets are unavailable when illiquid or not convertible to cash within one year. The Foundation considers contributions and investment income without donor restrictions for current operating activities to be available to meet cash needs for general expenditures. The Foundation considers all expenditures related to its operating activities that are incurred during the normal business operations of the Foundation to be general expenditures.

Financial Assets	
Cash and cash equivalents	\$22,958,295
Other assets	<u>259</u>
	<u>22,958,554</u>
Less: Financial assets unavailable for general expenditure within one year	<u>-</u>
Financial Assets Available To Meet Cash Needs for General Expenditures Within One Year	<u>\$22,958,554</u>

The Foundation's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. The Foundation's goal is to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

BROPHY COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Years Ended June 30, 2023 and 2022

NOTE 8. RELATED PARTY TRANSACTIONS

The School and Foundation are associated in part due to one Foundation Board Member also being a School Administrator. Students of the School receive grants issued by the Foundation. As of June 30, 2023 and 2022, the School was allocated and paid grants from Individual contributions totaling \$999,988 and \$1,465,076, respectively, Plus contributions totaling \$785,208 and \$799,965, respectively, and Corporate contributions totaling \$2,365,990 and \$2,026,500, respectively. The School is reimbursed for administrative support services provided to the Foundation. For the years ended June 30, 2023 and 2022, the School provided administrative support services totaling \$283,927 and \$223,523, respectively. The School also provided office space and utilities to the Foundation as in-kind donations. For the years ended June 30, 2023 and 2022, the value of such in-kind donations were \$8,700 and \$8,700, respectively.

The Foundation practices the right of offset and net amounts due from and to the School. Amounts due to the school were \$7,949 and \$0, respectively, for the years ended June 30, 2023 and 2022.

During the year ended June 30, 2023, the Foundation contributed \$300,000 to the School's endowment fund, which was included in program services, "other contributions (related party)" on the statement of activities.

NOTE 9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

The foundation receives various contributions of non-financial assets ("in-kind contributions") during the year. In-kind contributions for the years ended June 30, 2023 and 2022 include rent and utilities for the use of office space (see Note 8). This amount is valued based upon estimates of fair value that would be received for these donations, and are used to support the Foundation's programs.

	<u>2023</u>	<u>2022</u>
Rent and Utilities	<u>\$8,700</u>	<u>\$8,700</u>