



Annual Financial Report

FISCAL YEAR ENDED
JUNE 30, 2025

Yuma/La Paz Counties
Community College District
(Arizona Western College)
2020 S. Avenue 8E
Yuma, AZ 85365



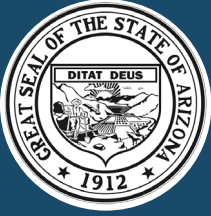
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**ARIZONA
AUDITOR
GENERAL**

Lindsey A. Perry, Auditor General

Independent auditors' report

Members of the Arizona State Legislature

The Governing Board of
Yuma/La Paz Counties Community College District

Report on the audit of the financial statements

Opinions

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Yuma/La Paz Counties Community College District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the other auditors' report.

Basis for opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The other auditors did not audit the discretely presented component unit's financial statements in accordance with *Government Auditing Standards*.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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.

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 the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 a report that includes our opinions. 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 U.S. generally accepted auditing standards and *Government 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 U.S generally accepted auditing standards and *Government 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 the District's internal control. Accordingly, we express no such opinion.
- ▶ 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 the District'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 audit's planned scope and timing, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-8, schedule of the District's proportionate share of the net pension liability on page 33, and schedule of District pension contributions on page 34 be presented to supplement the basic financial statements. Such information is management's responsibility and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 31, 2026

Yuma/La Paz Counties Community College District

(Arizona Western College)

Management's discussion and analysis

Year ended June 30, 2025

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's basic financial statements, which immediately follow.

Basic Financial Statements

The District's annual financial statements are presented in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements allow for the presentation in a consolidated, single-column, entity-wide format. This format is similar to the type of financial statements typical of a business enterprise or a not-for-profit organization. The basic financial statements consist of the following:

The *Statement of Net Position* reflects the financial position of the District at June 30, 2025. It shows the various assets owned or controlled, outflows of resources applicable to future reporting periods, related liabilities and other obligations, inflows of resources applicable to future reporting periods, and the various categories of net position. Net position is an accounting concept defined as total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, and as such, represents institutional equity or ownership in the District's total assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Position* reflects the results of operations and other changes for the year ended June 30, 2025. It shows the various revenues and expenses, both operating and nonoperating, reconciling the beginning net position amount to the ending net position amount, which is shown on the Statement of Net Position described above.

The *Statement of Cash Flows* presents the inflows and outflows of cash and cash equivalents for the year ended June 30, 2025. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the Statement of Net Position described above. In addition, this statement reconciles cash flows from operating activities to operating income/loss on the Statement of Revenues, Expenses and Changes in Net Position described above.

This document's primary focus is on the results of activity for the fiscal year ended June 30, 2025. This Management's Discussion and Analysis (MD&A) uses prior fiscal year information for comparison purposes and illustrates where the District's financial performance may have changed.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's discussion and analysis
Year ended June 30, 2025

Condensed Financial Information

Net Position—Primary Government
As of June 30

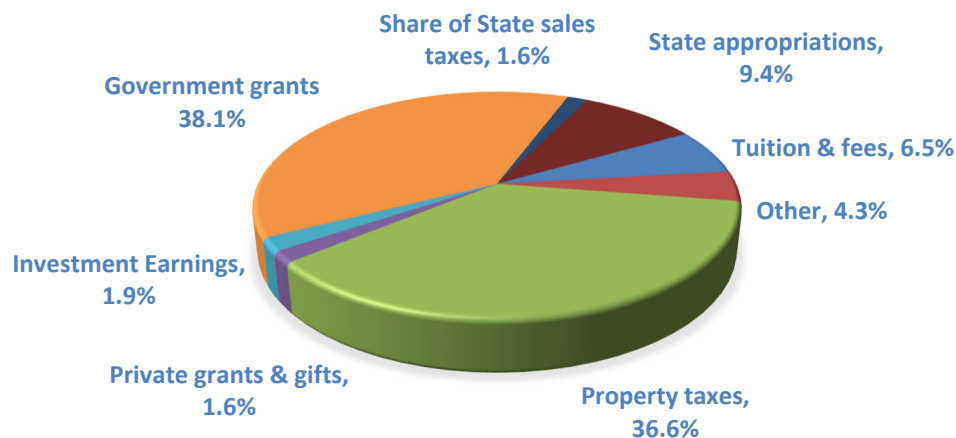
	<u>2025</u>	<u>2024</u>
Assets:		
Current assets	\$ 74,860,179	\$ 80,955,767
Noncurrent assets, other than capital assets	251,751	1,288,572
Capital assets, net	<u>130,412,748</u>	<u>119,390,734</u>
Total assets	<u>205,524,678</u>	<u>201,635,073</u>
Deferred outflows of resources:	<u>7,374,856</u>	<u>4,974,045</u>
Liabilities:		
Current liabilities	30,563,094	36,456,330
Long-term liabilities	<u>102,406,235</u>	<u>102,619,616</u>
Total liabilities	<u>132,969,329</u>	<u>139,075,946</u>
Deferred inflows of resources:	<u>2,732,305</u>	<u>2,635,363</u>
Net Position:		
Net investment in capital assets	59,650,309	43,605,400
Restricted	5,656,994	17,132,978
Unrestricted	<u>11,890,597</u>	<u>4,159,431</u>
Total net position	<u>\$ 77,197,900</u>	<u>\$ 64,897,809</u>

**Yuma/La Paz Counties Community College District
(Arizona Western College)
Management’s discussion and analysis
Year ended June 30, 2025**

**Changes in Net Position—Primary Government
For the Year Ended June 30**

	<u>2025</u>	<u>2024</u>
Revenues:		
Operating		
Tuition and fees (net of scholarship allowances)	\$ 7,283,905	\$ 6,595,057
Other (net of scholarship allowances)	4,763,642	3,474,592
Nonoperating		
Property taxes	40,838,368	41,450,941
State appropriations	10,442,422	12,041,313
Government grants	42,547,808	31,128,124
Share of State sales taxes	1,765,115	2,026,684
Private grants and gifts	1,774,897	1,017,155
Investment earnings	2,075,487	2,980,500
Gain on disposal of capital assets	-	4,388
Capital grants and gifts	<u>745</u>	<u>9,773</u>
Total revenues	<u>111,492,389</u>	<u>100,728,527</u>
Expenses:		
Operating	97,313,587	88,362,474
Nonoperating	<u>1,878,711</u>	<u>2,067,795</u>
Total expenses	<u>99,192,298</u>	<u>90,430,269</u>
Increase in net position	12,300,091	10,298,258
Total net position, July 1	<u>64,897,809</u>	<u>54,599,551</u>
Total net position, June 30	<u>\$ 77,197,900</u>	<u>\$ 64,897,809</u>

PERCENT OF 2025 REVENUES BY SOURCE

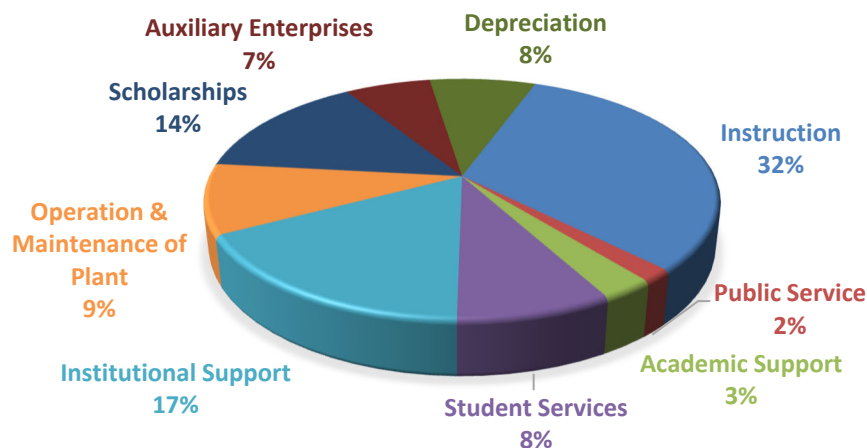


**Yuma/La Paz Counties Community College District
 (Arizona Western College)
 Management’s discussion and analysis
 Year ended June 30, 2025**

**Expenses by Category—Primary Government
 For the Year Ended June 30**

	<u>2025</u>	<u>2024</u>
Operating expenses		
Educational and general		
Instruction	\$ 31,084,164	\$ 30,594,119
Public service	1,627,546	1,554,456
Academic support	2,747,096	3,047,527
Student services	8,051,605	8,649,889
Institutional support	16,561,636	13,547,864
Operation and maintenance of plant	9,186,661	7,908,681
Scholarships	13,995,335	10,265,800
Auxiliary enterprises	6,275,499	6,531,975
Depreciation/amortization	<u>7,784,045</u>	<u>6,262,163</u>
Total operating expenses	<u>97,313,587</u>	<u>88,362,474</u>
Nonoperating expenses		
Interest expense on debt	1,875,314	2,064,510
Other nonoperating expenses	<u>3,397</u>	<u>3,285</u>
Total nonoperating expenses	<u>1,878,711</u>	<u>2,067,795</u>
Total expenses	<u>\$ 99,192,298</u>	<u>\$ 90,430,269</u>

PERCENT OF 2025 OPERATING EXPENSES BY CATEGORY



Yuma/La Paz Counties Community College District (Arizona Western College) Management's discussion and analysis Year ended June 30, 2025

Financial Highlights and Analysis

Financial Position

The District's overall financial position improved in 2025. Total assets and deferred outflows of resources increased by approximately \$6.3 million from fiscal year 2024 to fiscal year 2025. This change includes a net increase in total assets of nearly \$3.9 million and increase of deferred outflows of resources of \$2.4 million. The increase in total assets is primarily the result of an approximately \$11.0 million increase in capital assets as major projects, including the DeAnza Residence Hall and the Law Enforcement Training Academy (LETA), were placed in service in October 2024. Cash and cash equivalents decreased by approximately 10.2 million from fiscal year 2024 to fiscal year 2025, primarily because cash provided by noncapital financing and investing activities did not fully offset higher cash used for operations and significant cash used for capital asset purchases and related debt service. Accounts receivable and prepaid items also increased by approximately \$2.5 million and \$0.8 million, respectively.

Total liabilities and deferred inflows of resources decreased by approximately \$6.0 million from fiscal year 2024 to fiscal year 2025. This decrease is mainly attributable to a \$4.0 million reduction in accounts payable as construction-related obligations were paid down and an almost \$4.3 million reduction in unearned revenues as previously deferred grant and capital-related amounts were recognized as revenue with the completion of the DeAnza Residence Hall and LETA projects. These decreases were partially offset by a \$1.2 million increase in the current portion of lease and subscription liabilities, a more than \$1.1 million increase in the current portion of long-term debt as scheduled principal payments moved into the current year, a \$4.1 million increase in noncurrent subscription liabilities for information technology arrangements, and a \$1.5 million increase in net pension liability, while long-term debt decreased by \$5.4 million as the District continued to pay down general obligation and revenue bonds. Overall, the decrease in total liabilities and deferred inflows reflects the transition from the construction and deferral phase into active use of capital assets financed in prior years.

Total net position for the District improved from fiscal year 2024 to fiscal year 2025 with an increase of \$12.3 million. By net position category, there was an increase in net investment in capital assets of over \$16 million as the college finalizes various construction projects in planned grant funded construction activity and Smart and Safe Act revenues, exceeding budget expectations.

The District's financial position remains strong with adequate resources to meet all current obligations.

Results of Operations

The District has four major revenue sources. These are property taxes, tuition and fees, State appropriations, and government grants. These revenues are further identified as operating or nonoperating revenues.

For fiscal year 2025 the District's total revenues and capital gifts increased by approximately \$10.8 million from fiscal year 2024. The following revenue sources make up a significant portion of this total increase:

Yuma/La Paz Counties Community College District (Arizona Western College) Management's discussion and analysis Year ended June 30, 2025

- Tuition and fees increased by nearly \$0.7 million, reflecting increased enrollment.
- Other operating revenues increased approximately \$1.3 million primarily in facility rental income, donation of non-cash items, and dormitory rentals and fees.
- Property taxes decreased by over \$0.6 million due to decreased property valuation judgement.
- State appropriations decreased by \$1.6 million as a result of a decrease in Rural Aid.
- Government grants increased by approximately \$11.4 million due to increased Federal Pell funding and revenues received for the construction of DeAnza and LETA facilities.
- Private grants and gifts increased by over \$0.8 million from additional gifts from the Helios and AWC Foundations.
- Investment earnings decreased by over \$0.9 million reflects lower available cash balances following the utilization of bond proceeds for capital projects.

Total operating expenses increased by just over \$8.9 million from fiscal year 2024 to fiscal year 2025. This increase is primarily due to the Entrepreneurial College, higher scholarships expense, and the grand opening of the DeAnza Residence Hall and the Law Enforcement Training Academy (LETA) facility. Institutional support increased by approximately \$3.0 million, operations and maintenance of plant increased by \$1.3 million, depreciation/amortization expense increased by \$1.5 million, scholarships increased by \$3.7 million primarily due to a higher federal Pell Grant allocation, and student services decreased by nearly \$0.6 million due to a decrease in bad debt expense.

Nonoperating expenses decreased by approximately \$0.2 million primarily because of decreased bond interest due on a lower long-term General Obligation debt balance offset by the Revenue bond interest due.

Capital Assets and Debt Administration

The District's capital assets, net of accumulated depreciation, totaled \$130.4 million as of June 30, 2025. Capital assets include land, buildings, improvements other than buildings, equipment, construction in progress, library books, and intangible right-to-use subscription and lease assets. Additional information on capital assets can be found in detail in Note 3 to the District's basic financial statements.

At June 30, 2025, the District had outstanding three general obligation bond issues totaling \$28.8 million and two revenue bond issues totaling \$32.9 million. Additional information on the District's long-term debt can be found in Note 5 to the basic financial statements.

Current Factors Having Probable Future Financial Significance

The Yuma/La Paz Counties Community College District continuously evaluates programmatic and institutional changes necessary to serve as a college of the community for providing excellence in 100 and 200 course levels for undergraduate degree programs. College leadership has been diligently working to develop long and short-term strategic plans to address these programmatic and institutional changes and other challenges to the financial health of the institution. The Entrepreneurial College will grow its relationships with local employers who, through innovative partnerships, will co-create a robust and reliable pipeline of qualified workers who come to the workplace with industry-recognized knowledge, experience, and necessary credentials and certifications. At the same time, the Arizona Board of Regents,

Yuma/La Paz Counties Community College District

(Arizona Western College)

Management's discussion and analysis

Year ended June 30, 2025

the three State universities, and Arizona community colleges are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education. The District Full-Time Equivalent Student (FTSE) numbers continue to increase each year. Leadership believes these numbers will continue to increase as financial experts predict a flattening economy. There are several new initiatives leadership believes will add to our FTSE numbers and the associated revenue with head count increases. Coming online is our Entrepreneurial College that will offer certificate and corporate training. Under this concept, the college will charge market rates for these types of training in various industries including the medical and dental fields. In addition to increased headcount, the rates charged will commensurate with market rates above our current per credit hour rate. Leadership anticipates this construct will generate revenue where some of our State aid is softening.

In October 2024, the District opened the 48,000-square-foot DeAnza Residence Hall, adding 168 beds and community-focused amenities to provide affordable housing for AWC and NAU–Yuma students, with revenues expected to repay the revenue bonds without additional taxpayer cost while supporting long-term enrollment growth. Shortly thereafter, the 19,216-square-foot Law Enforcement Training Academy opened on the Yuma campus, expanding classroom and training capacity for a rapidly growing program that serves State law enforcement agencies and is anticipated to support continued enrollment growth and reduced training costs for partner agencies.

AWC received approximately \$3.6 million from the Arizona Commerce Authority's Future48 Workforce Accelerator program to construct and equip a Manufacturing Accelerator facility, extending the Wellton Manufacturing Training Center and enabling training in electrical technology, advanced manufacturing, broadband fiber optics, and solar installation. Construction activities began in late calendar year 2024 and continued through fiscal year 2025. This project represents a significant capital investment and will support enrollment and workforce-training revenues in future years.

AWC continues to partner and create opportunities for future students within our community. AWC signed a 10-year affiliation agreement with our Yuma Regional Medical Center (YRMC) to build and equip an allied health facility estimated to be 60,000 square feet. This facility will create additional space and opportunities to grow our Allied Health programs at no cost to the college yet generating revenue and providing our community trained health care workers. This building is scheduled to come online in summer of 2026. In addition to the two-year programs, AWC recently included NAU in this partnership to create a transition into their four-year programs.

The college continually works to implement efficiencies and identify savings opportunities. It is committed to its students, parents, employees, and the State to provide the most efficient and effective services. Since the college is ultimately subject to the same economic variables that affect other financial entities, it is difficult to predict future outcomes. Leadership is working diligently to continue providing quality instruction and public service to the Yuma and La Paz Counties within the State of Arizona, and the nation. AWC offers a comprehensive benefits package to attract and retain talent; however, with significant economic pressures to increase salaries to remain competitive, labor costs remain the single highest costs paid by the college. The college seeks to increase wages in order to remain competitive but looks for efficiencies and revenue generation to offset.

**Yuma/La Paz Counties Community College District
(Arizona Western College)
Management's discussion and analysis
Year ended June 30, 2025**

This discussion and analysis are designed to provide a general overview of the Yuma/La Paz Counties Community College District's finances for all those with an interest in such matters.

Questions concerning any of the information provided in this Annual Financial Report or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, PO Box 929, Yuma, AZ 85366.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of net position—primary government
June 30, 2025

	<u>Business-type activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 52,387,261
Investments	10,648,897
Receivables (net of allowances for uncollectibles):	
Property taxes	1,872,806
Government grants and contracts	5,042,325
Interest	13,227
Other	3,475,729
Inventory	19,271
Prepaid items	<u>1,400,663</u>
Total current assets	<u>74,860,179</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents held by trustee	170
Property taxes receivable (net of allowances for uncollectibles)	251,581
Capital assets, not being depreciated/amortized	1,774,913
Capital assets, being depreciated/amortized, net	<u>128,637,835</u>
Total noncurrent assets	<u>130,664,499</u>
Total assets	<u>205,524,678</u>
Deferred outflows of resources	
Deferred outflows related to pensions	7,153,714
Deferred charge on debt refunding	<u>221,142</u>
Total deferred outflows of resources	<u>7,374,856</u>
Liabilities	
Current liabilities:	
Accounts payable	2,410,425
Accrued payroll and employee benefits	2,011,811
Interest payable	1,047,804

(Continued)

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of net position—primary government
June 30, 2025
(Continued)

	Business-type activities
Deposits held in custody for others	295,493
Unearned revenues	17,249,072
Current portion of compensated absences payable	811,315
Current portion of leases liability	67,789
Current portion of subscription liability	1,243,824
Current portion of long-term debt	5,425,561
Total current liabilities	<u>30,563,094</u>
Noncurrent liabilities:	
Lease liability	417,822
Subscription liability	4,179,442
Compensated absences payable	1,266,672
Long-term debt	59,625,226
Net pension liability	36,917,073
Total noncurrent liabilities	<u>102,406,235</u>
Total liabilities	<u>132,969,329</u>
Deferred inflows of resources	
Deferred inflows related to pensions	2,708,388
Deferred credit on debt refunding	23,917
Total deferred inflows of resources	<u>2,732,305</u>
Net position	
Net investment in capital assets	59,650,309
Restricted:	
Expendable:	
Grants and contracts	5,656,994
Unrestricted	11,890,597
Total net position	<u>\$ 77,197,900</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of financial position—component unit
June 30, 2025

**Arizona Western
College Foundation**

Assets

Current assets:

Cash and cash equivalents	\$ 2,950,234
Pledges receivable	119,028
Prepaid expenses	2,115
Other current assets	<u>956</u>
Total current assets	<u>3,072,333</u>

Other assets:

Pledges receivable - long term	226,000
Investments	<u>4,703,466</u>
Total other assets	<u>\$ 4,929,466</u>

Total assets	<u>\$ 8,001,799</u>
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Liabilities and net assets

Current liabilities:

Accounts payable	\$ 11,956
Accrued leave	22,972
Deferred revenue	<u>9,500</u>
Total current liabilities	<u>44,428</u>

Total liabilities	<u>44,428</u>
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Net assets

Without donor restrictions:

Undesignated	1,295,296
Designated by the Board	409,669

With donor restrictions:

Perpetual in nature	3,111,880
Purpose restricted	2,656,654
Time restricted	<u>483,872</u>
Total net assets	<u>7,957,371</u>

Total liabilities and net assets	<u>\$ 8,001,799</u>
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See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of revenues, expenses, and changes in net position—
primary government
Year ended June 30, 2025

	Business-type activities
Operating revenues:	
Tuition and fees (net of scholarship allowances of \$12,077,014)	\$ 7,283,905
Food service income (net of scholarship allowances of \$663,821)	2,455,393
Dormitory rentals and fees (net of scholarship allowances of \$256,261)	523,227
Other	<u>1,785,022</u>
Total operating revenues	<u>12,047,547</u>
Operating expenses:	
Educational and general:	
Instruction	31,084,164
Public service	1,627,546
Academic support	2,747,096
Student services	8,051,605
Institutional support	16,561,636
Operation and maintenance of plant	9,186,661
Scholarships	13,995,335
Auxiliary enterprises	6,275,499
Depreciation and amortization	<u>7,784,045</u>
Total operating expenses	<u>97,313,587</u>
Operating loss	<u>(85,266,040)</u>
Nonoperating revenues (expenses):	
Property taxes	40,838,368
State appropriations	6,842,300
Smart and safe Arizona fund appropriations	3,600,122
Government grants	42,547,808
Share of State sales taxes	1,765,115
Private grants and gifts	1,774,897
Investment earnings	2,075,487
Interest expense on debt	(1,875,314)
Other nonoperating expenses	<u>(3,397)</u>
Total nonoperating revenues	<u>97,565,386</u>
Income before other revenues, expenses, gains, or losses	12,299,346
Capital grants and gifts	745
Increase in net position	<u>12,300,091</u>
Net position, July 1, 2024	<u>64,897,809</u>
Net position, June 30, 2025	<u><u>\$ 77,197,900</u></u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of activities—component unit
Year ended June 30, 2025

	Arizona Western College Foundation		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Contributions	\$ 8,694	\$ 658,282	\$ 666,976
Contributions - in kind	445,527		445,527
Special events	45,988	96,012	142,000
Other income	74	5,905	5,979
Investment return, net	52,221	438,076	490,297
Net assets released from restrictions	<u>779,947</u>	<u>(779,947)</u>	
Total revenue, support, and gains	<u>1,332,451</u>	<u>418,328</u>	<u>1,750,779</u>
Expenses			
Program services	988,512		988,512
Management and general	336,217		336,217
Fundraising	<u>22,988</u>		<u>22,988</u>
Total expenses	<u>1,347,717</u>		<u>1,347,717</u>
Changes in net assets	(15,266)	418,328	403,062
Net assets, beginning of year	<u>1,720,231</u>	<u>5,834,078</u>	<u>7,554,309</u>
Net assets, end of year	<u>\$ 1,704,965</u>	<u>\$ 6,252,406</u>	<u>\$ 7,957,371</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of cash flows—primary government
Year ended June 30, 2025

	Business-type activities
Cash flows from operating activities:	
Tuition and fees	\$ 3,431,212
Food services receipts	2,455,393
Dormitory rentals and fees	523,227
Other receipts	1,642,702
Other custodial receipts	1,372,508
Other custodial disbursements	(1,321,258)
Payments to suppliers and providers of goods and services	(29,913,303)
Payments for employee wages and benefits	(50,654,813)
Payments to students for scholarships	<u>(13,995,335)</u>
Net cash used for operating activities	<u>(86,459,667)</u>
Cash flows from noncapital financing activities:	
Property taxes	40,768,477
State appropriations	10,442,422
Grants	39,826,609
Share of State sales taxes	1,765,115
Private grants and gifts	1,774,897
Other nonoperating expenses	(3,397)
Federal direct lending receipts	343,482
Federal direct lending disbursements	<u>(343,482)</u>
Net cash provided by noncapital financing activities	<u>94,574,123</u>
Cash flows from capital and related financing activities:	
Principal paid on capital debt/obligations	(4,989,738)
Interest paid on capital debt/obligations	(2,781,231)
Purchases of capital assets	<u>(12,916,609)</u>
Net cash used for capital and related financing activities	<u>(20,687,578)</u>
Cash flows from investing activities:	
Interest received on investments	2,084,747
Net proceeds from sales and maturities of investments	284,377
Purchase of investments	<u>(16,300)</u>
Net cash provided by investing activities	<u>2,352,824</u>
Net decrease in cash and cash equivalents	(10,220,298)

(Continued)

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Statement of cash flows—primary government
Year ended June 30, 2025
(Continued)

	Business-type activities
Cash and cash equivalents, July 1, 2024	<u>62,607,729</u>
Cash and cash equivalents, June 30, 2025	<u>\$ 52,387,431</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (85,266,040)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation and amortization	7,784,045
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accrued payroll and employee benefits	298,957
Compensated absences payable	124,247
Deferred inflows of resources related to pensions	100,928
Other receivables	(1,313,188)
Unearned revenues	(2,681,824)
Prepaid items	(837,056)
Net pension liability	1,539,580
Deferred outflows of resources related to pensions	(2,697,977)
Accounts payable	(3,543,318)
Deposits held in custody for others	51,250
Inventory	(19,271)
Net cash used for operating activities	<u>\$ (86,459,667)</u>
Noncash investing, capital, and noncapital financing transactions	
Gifts of depreciable and non-depreciable assets	745
Amortization of premium on general obligation bonds	443,916
Amortization of premium on revenue bonds	103,712
Amortization of deferred inflows/outflows from general obligation bonds	(293,180)
Right to use subscription asset additions	6,547,530
Reconciliation of cash and cash equivalents, as presented on the Statement of Net Position	
Cash and cash equivalents	52,387,261
Restricted assets	
Cash and cash equivalents held by trustee	<u>170</u>
Total cash and cash equivalents, June 30, 2025	<u>\$ 52,387,431</u>

See accompanying notes to financial statements.

Yuma/La Paz Counties Community College District

(Arizona Western College)

Notes to financial statements

June 30, 2025

Note 1 - Summary of significant accounting policies

Yuma/La Paz Counties Community College District's accounting policies conform to U.S. generally accepted accounting principles applicable to public institutions engaged only in business-type activities adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*, which supersedes GASB Statement No. 16. GASB 101 establishes a unified recognition and measurement model for all types of compensated absences, including vacation, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave and certain types of sabbatical leave as well as applicable salary-related payments. The District determined based on its analyses of all applicable compensated absences that the provisions of this new standard had no significant effect on the District's accounting policies pertaining to the measurement and recognition of its compensated absences liability. Therefore, the District determined that a restatement of beginning net position for this change in accounting principle was not necessary. See paragraph I. **Compensated absences** for additional information.

For the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 102, *Certain Risk Disclosures*. This Standard establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. For concentrations and constraints meeting the definition in the Standard, Districts will disclose the concentrations or constraints, related events that could have a substantial impact, and action taken to mitigate the risk. The District determined that the criteria for disclosure for a concentration or constraint was not met, and therefore did not disclose additional information in its notes to financial statements.

A. Reporting entity

The District is a special-purpose government that a separately elected governing body governs. It is legally separate and fiscally independent of other State and local governments. The accompanying financial statements present the activities of the District (the primary government) and its discretely presented component unit, Arizona Western College Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt organization. It acts primarily as a fund-raising organization that receives gifts and bequests, administers those resources, and disburses payments to or on behalf of the District for scholarships and other special projects. Although the District does not control the timing or amount of receipts from the Foundation, the Foundation's restricted resources can be used only by or for the benefit of the District or its constituents. Consequently, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements.

For financial reporting purposes, the Foundation follows the Financial Accounting Standards Board statements for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the District's financial report. Accordingly, those financial statements have been reported on separate pages following the District's respective counterpart financial statements. For financial reporting purposes, only the Foundation's statements of financial position and activities are included in the District's financial statements as required

Yuma/La Paz Counties Community College District

(Arizona Western College)

Notes to financial statements

June 30, 2025

by generally accepted accounting principles for public colleges and universities. The Foundation has a June 30 year-end.

During the year ended June 30, 2025, the Foundation distributed \$445,527 to the District for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Arizona Western College Foundation Office, PO Box 929, Yuma, AZ, 85364-0929.

B. Basis of presentation and accounting

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

A statement of net position provides information about the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy the District's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation/amortization, less any outstanding liabilities incurred to acquire or construct the assets. Expendable restricted net position represents grants, contracts, gifts, and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including capital contributions and additions to endowments. Operating revenues and expenses generally result from exchange transactions. Accordingly, revenues, such as tuition, food service, and dormitory charges, in which each party receives and gives up essentially equal values, are considered operating revenues. Other revenues, such as property taxes, State appropriations, and government grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues. Operating expenses include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

A statement of cash flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. State appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to financial statements
June 30, 2025

Internal service activities are accounted for using a charge-back method whereby user departments are charged for services provided. The service department recognizes operating revenue for services rendered. Internal balances and transactions are eliminated in the financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the District considers restricted resources to have been used first, in accordance with grant and legal requirements.

C. Cash and investments

For the statement of cash flows, the District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All investments are stated at fair value.

D. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

E. Capital assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets are as follows:

	Capitalization threshold	Depreciation/ Amortization method	Estimated useful life
Land	\$5,000	N/A	N/A
Land improvements	5,000	N/A	N/A
Buildings	5,000	Straight-line	20-40 years
Construction in progress	5,000	N/A	N/A
Improvement other than buildings	5,000	Straight-line	15 years
Equipment	5,000	Straight-line	5 years
Library books	All	Straight-line	10 years
Intangibles:			
Right-to-use subscription assets	50,000	Straight-line	See below
Right-to-use lease assets			
Buildings, equipment	50,000	Straight-line	See below

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June 30, 2025

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the District has determined is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

F. Postemployment benefits

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Investment earnings

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

H. Scholarship allowances

A scholarship allowance is the difference between the stated charge for goods and services the District provides and the amount that the student or third parties making payments on the student's behalf pays. Accordingly, some types of student financial aid, such as Pell grants and scholarships the District awards, are considered scholarship allowances. These allowances are netted against tuition and fees revenues in the statement of revenues, expenses, and changes in net position.

I. Compensated absences

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

Employees may accumulate up to 330 or 352 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at (fiscal/calendar) year-end. Upon terminating employment, the District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate sick leave without limitation; however, unused balances are forfeited upon termination and are not convertible to cash or other postemployment benefits. In accordance with GASB Statement No. 101, *Compensated Absences*, this Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c)

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to financial statements
June 30, 2025

the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The District uses a last-in, first out (LIFO) flows assumption and historical leave usage data to estimate its compensated absences liability for sick leave. Based on the District's analyses, historical evidence demonstrates minimal to no use of accumulated prior-year sick leave, and District management has assessed the probability of future utilization of accumulated sick leave balances as remote. Further, based on District policy, sick leave is not expected to result in a cash settlement or be converted to other postemployment benefits upon termination. Therefore, the District has determined sick leave is not more likely than not to be used for time off or otherwise paid in cash or settled through noncash means; and as such, no liability for sick leave has been recorded in the financial statements.

Based on the District's analyses, all other types of compensated absences, including holidays, parental leave, bereavement leave and certain types of sabbatical leave, were deemed insignificant and thus not recorded in the District's financial statements.

J. Leases and subscription-based information technology arrangements

Leases

As lessee, the District recognizes lease liabilities with an initial, individual value of \$50,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District utilizes the rate implicit in the lease when it is readily determinable; otherwise, the District has used professional judgment to determine the best estimate of its incremental borrowing rate based on the District's most recent debt issuance rating.

As lessor, the District recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The District's estimated incremental borrowing rate is calculated as described above.

Subscription-based information technology arrangements

The District recognizes subscription liabilities with an initial, individual value of \$50,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The District's estimated incremental borrowing rate is calculated as described above.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to financial statements
June 30, 2025

Note 2 - Deposits and investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit special tax levies for the District's maintenance or capital outlay with the County Treasurer. A.R.S. does not require the District to deposit other public monies in its custody with the County Treasurer; however, the District must act as a prudent person dealing with another's property when making investment decisions about those monies. A.R.S. requires collateral for deposits at 102 percent of all deposits not covered by federal depository insurance. A.R.S. does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

Deposits—At June 30, 2025, the total cash on hand was \$5,140, the carrying amount of the District's deposits was \$21,846,330 and the bank balance was \$22,218,172. The District does not have a formal policy with respect to custodial credit risk for deposits.

Investments—The District had total investments of \$41,184,858 at June 30, 2025. The District categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows.

Investments by fair value level	Amount	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury securities	\$2,071,707	\$ -	\$2,071,707	\$ -
U.S. agency securities	7,396,828		7,396,829	
Corporate issues	395,892		395,892	
Money Market Mutual Fund	170		170	
Total investments categorized by fair value level	<u>\$9,864,598</u>	<u>\$ -</u>	<u>\$9,864,598</u>	<u>\$ -</u>

Investments categorized as Level 2 are valued using the observed market transactions, independent pricing services, third party counterparty evaluations and discounted cash flow, matrix or model prices with appropriate assumptions based on observable market inputs.

The District also had the following investments in external investment pools measured at fair value:

State Treasurer's investment pools	\$22,958,868
County Treasurer's investment pool	<u>8,361,393</u>
Total external investment pools measured at fair value	<u>\$31,320,261</u>

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the District held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The investment in the County Treasurer's pool is valued using the District's proportionate participation in the pool because the pool's structure does not provide for shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. No comparable oversight is provided for the County Treasurer's investment pool.

Yuma/La Paz Counties Community College District
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Notes to financial statements
June 30, 2025

Credit risk— The District does not have a formal policy with respect to credit risk. As of June 30, 2025, credit risk for the District’s investments was as follows:

Investment type	Rating	Rating agency	Amount
State Treasurer’s investment pool 7	Unrated	Not applicable	\$22,958,868
County Treasurer’s investment pool	Unrated	Not applicable	8,361,393
U.S. agency securities	Aaa/AA+	Moody’s/Standard & Poor’s	7,396,828
Corporate issues	Aaa/AA+	Moody’s/Standard & Poor’s	395,892
Money Market Mutual Fund	Aaa/AA+	Moody’s/Standard & Poor’s	170
Total			<u>\$39,113,151</u>

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the District will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. The District does not have a formal policy with respect to custodial credit risk.

Concentration of credit risk—The District does not have a formal policy regarding concentration of credit risk. The District had investments at June 30, 2025, of 5.00% or more in Federal National Mortgage Association and Federal Home Loan Bank. These investments were 8.23 percent, and 5.45 percent, respectively, of the District’s total investments.

Interest rate risk—As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s policy limits the District’s investment portfolio to maturities of one to three years.

At June 30, 2025, the District had the following investments in debt securities:

Investment type	Amount	Investment maturities	
		Less than 1 Year	1-5 Years
State Treasurer’s investment pools	\$22,958,868	\$22,958,868	\$ -
County Treasurer’s investment pool	8,361,393	8,361,393	-
U.S. Treasury securities	2,071,707	2,071,707	-
U.S. agency securities	7,396,828	4,828,958	2,567,870
Corporate issues	395,892	-	395,892
Money Market Mutual Fund	170	170	-
Total	<u>\$41,184,858</u>	<u>\$38,221,096</u>	<u>\$2,963,762</u>

A reconciliation of cash, deposits, and investments to amounts shown on the statement of net position follows:

Cash, deposits, and investments:		Statement of net position:	
Cash on hand	\$ 5,140	Cash and cash equivalents	\$ 52,387,261
Amount of deposits	21,846,330	Current investments	10,648,897
Amount of investments	41,184,858	Restricted assets:	
		Cash and investments held by trustee	170
Total	<u>\$63,036,328</u>	Total	<u>\$63,036,328</u>

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to financial statements
June 30, 2025

Note 3 - Capital assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated/amortized:				
Land	\$ 504,690			\$ 504,690
Construction in progress	<u>7,877,847</u>	<u>\$ 8,829,607</u>	<u>\$15,437,231</u>	<u>1,270,223</u>
Total capital assets not being depreciated/amortized	<u>8,382,537</u>	<u>8,829,607</u>	<u>15,437,231</u>	<u>1,774,913</u>
Capital assets being depreciated/amortized:				
Buildings	\$159,997,603	\$13,302,848		\$173,300,451
Equipment	17,687,405	4,016,221	58,969	21,644,657
Improvements other than buildings	24,745,906	1,546,382		26,292,288
Library books	1,478,152	71,526	(2,141)	1,551,819
Intangibles:				
Right-to-use subscription assets	765,830	6,547,530	536,902	6,776,458
Right-to-use lease assets:				
Land	250,000			250,000
Equipment	<u>414,181</u>			<u>414,181</u>
Total	<u>205,339,077</u>	<u>25,484,507</u>	<u>593,730</u>	<u>230,229,854</u>
Less accumulated depreciation/amortization for:				
Buildings	\$ 58,170,563	\$ 3,998,033	\$	\$62,168,596
Equipment	12,231,268	1,977,072	58,969	14,149,371
Improvements other than buildings	22,261,265	300,485		22,561,750
Library books	974,410	93,525	(2,141)	1,070,076
Intangibles:				
Right-to-use subscription assets	554,931	1,338,209	466,078	1,427,062
Right-to-use lease assets:				
Land	53,443	26,721		80,164
Equipment	<u>85,000</u>	<u>50,000</u>		<u>135,000</u>
Total	<u>94,330,880</u>	<u>7,784,045</u>	<u>522,906</u>	<u>101,592,019</u>
Total capital assets being depreciated/amortized, net	<u>111,008,197</u>	<u>17,700,462</u>	<u>70,824</u>	<u>128,637,835</u>
Capital assets, net	<u>\$119,390,734</u>	<u>\$26,530,069</u>	<u>\$15,508,055</u>	<u>\$130,412,748</u>

Note 4 - Construction and other commitments

The District had major contractual commitments related to one capital project at June 30, 2025, for the construction of the Wellton Workforce Training Center. At June 30, 2025, the District spent \$1,241,198 on this project and had remaining contractual commitments with contractors of \$2,585,902. The capital project is financed by the Arizona Commerce Authority.

Yuma/La Paz Counties Community College District
(Arizona Western College)
Notes to financial statements
June 30, 2025

Note 5 - Long-term liabilities

The following schedule details the District's long-term liability and obligation activity for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within 1 year
General obligation bonds	\$32,600,000	\$	\$ 3,720,000	\$ 28,880,000	\$3,825,000
Revenue bonds	32,955,000			32,955,000	1,050,000
Premiums	<u>3,760,483</u>		<u>547,628</u>	<u>3,212,855</u>	<u>547,628</u>
Total long-term debt	<u>\$ 69,315,483</u>		<u>\$ 4,267,628</u>	<u>\$ 65,047,855</u>	<u>\$5,422,628</u>
Financed purchases	\$11,403		\$ 8,470	\$ 2,933	\$2,933
Leases payable	551,821		66,211	485,610	67,789
Subscriptions liability	70,793	\$6,473,238	1,120,764	5,423,267	1,243,824
Net pension liability	35,377,493	1,539,580		36,917,073	
Compensated absences payable, net amount	<u>1,953,740</u>	<u>124,247</u>		<u>2,077,987</u>	<u>811,315</u>
Total long-term liabilities	<u>\$107,280,733</u>	<u>\$8,137,065</u>	<u>\$5,463,073</u>	<u>\$109,954,725</u>	<u>\$7,548,489</u>

Bonds—The District's bonded debt consists of various issues of general obligation bonds and revenue bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The District repays general obligation bonds from voter-approved property taxes. Revenue bonds are repaid from tuition and fees and dormitory rentals and fees.

The District has pledged its gross revenues towards the payment of debt related to all revenue bonds outstanding at June 30, 2025. The bonds generally provide financing for various capital projects of the college. These pledged revenues include student tuition and fees, auxiliary enterprise revenue, sales and service revenue, and other operating revenues, such as indirect cost recovery and certain investment income. Pledged revenues do not include State appropriations, property taxes, gifts, or restricted revenues. At June 30, 2025, pledged revenues totaled \$13.25 million, of which 7.8% (\$1,038,638) was required to cover current year debt service. Future pledged revenues required to pay all remaining debt service for the bonds through the final maturity of July 1, 2046, is \$44.9 million.

The following bonds were outstanding at June 30, 2024:

Description	Original amount issued	Interest rates	Maturity ranges	Outstanding principal
General obligation bonds—series 2014	\$28,665,000	1.00-5.00%	7/1/2021-25	\$2,730,000
General obligation refunding bonds—series 2014A	16,535,000	1.00-5.00%	7/1/2021-30	16,035,000
General obligation refunding bonds—series 2016	10,895,000	2.6%	7/1/2021-31	10,115,000
Revenue bonds—series 2021	17,790,000	2.00-4.00%	7/1/2025-46	17,790,000
Revenue bonds—series 2022	15,165,000	2.75%	7/1/2025-46	<u>15,165,000</u>
				<u>\$61,835,000</u>

The following schedule details debt service requirements to maturity for the District's bonds payable at June 30, 2025:

Yuma/La Paz Counties Community College District
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Year ending June 30	General obligation bonds		Revenue bonds	
	Principal	Interest	Principal	Interest
2026	\$ 3,825,000	\$ 902,440	\$ 1,050,000	\$ 1,003,013
2027	4,135,000	698,690	1,085,000	966,175
2028	4,370,000	525,710	1,125,000	927,926
2029	4,570,000	344,800	1,165,000	888,262
2030	4,670,000	207,070	1,200,000	847,388
2031-35	7,310,000	63,830	6,650,000	3,570,750
2036-40			7,815,000	2,415,200
2041-45			8,890,000	1,292,340
2046-47			<u>3,975,000</u>	<u>69,488</u>
Total	<u>\$28,880,000</u>	<u>\$2,742,540</u>	<u>\$32,955,000</u>	<u>\$11,980,542</u>

Financed purchases—The District has acquired equipment under contract agreements at a total purchase price of \$1,387,886. The following schedule details debt service requirements to maturity for the District's financed purchases at June 30, 2025:

Year ending June 30	Principal	Interest
2026	<u>2,933</u>	<u>35</u>
Total	<u>\$ 2,933</u>	<u>\$ 35</u>

Leases—The District has obtained right to use land and equipment under the provisions of various lease agreements. Leases extend from 60 to 186 months with fixed monthly payments up to \$4,167.

The total amount of lease assets and the related accumulated amortization are as follows:

Total intangible right-to-use lease assets	\$ 664,181
Less: accumulated amortization	<u>215,164</u>
Carrying value	<u>\$ 449,017</u>

The following schedule details minimum lease payments to maturity for the District's leases payable at June 30, 2025:

Year ending June 30,	Principal	Interest
2026	\$ 67,789	\$ 10,432
2027	69,458	9,890
2028	37,888	9,298
2029	23,085	8,653
2030	25,052	7,953
2031-35	158,793	27,080
2036-40	<u>103,545</u>	<u>3,737</u>
Total	<u>\$485,610</u>	<u>\$77,043</u>

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Subscription-based information technology arrangements (SBITAs)—The district has obtained the right to use institutional and instructional software applications under the provisions of various subscription-based information technology arrangements. The software subscriptions are paid annually from 2024-30.

The total amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	\$ 6,776,458
Less: accumulated amortization	<u>1,427,062</u>
Carrying value	<u>\$ 5,349,396</u>

The following schedule details minimum subscription payments to maturity for the District's subscriptions liability at June 30, 2025:

Year ending June 30	Principal	Interest
2026	\$ 1,243,823	\$ 4,255
2027	1,228,264	2,922
2028	1,240,788	1,505
2029	922,840	
2030	<u>787,551</u>	
Total	<u>\$ 5,423,266</u>	<u>\$ 8,682</u>

Note 6 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates with seven other Arizona community college districts and more than 200 Arizona school districts in the Arizona School Risk Retention Trust, Inc. (Trust), a public-entity risk pool. The Trust insures the District against liabilities arising from general liability, professional liability, property, cyber, automobile, boiler, and machinery liability, and commercial crime risks. The coverage limits and deductibles are listed below:

Coverage	Limit	Deductible
General	\$10,000,000/occurrence	None
	Employer's liability: \$2,000,000/accident or disease	\$500,000/accident or disease
	Cyber Liability: \$5,000,000/occurrence	\$5,000/occurrence
Professional	Administrative practices: \$150,000/claim, \$300,000 aggregate	None
	Criminal legal defense: \$100,000/claim, \$200,000 aggregate	None
Property	Total insurable value: \$205,665,758	\$5,000/occurrence
Automobile	\$10,000,000/occurrence	None
	\$15,000 each person/\$250,000 each accident underinsured/uninsured motorist	
Commercial crime	\$1,500,000/occurrence	\$1,000/occurrence

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The Trust's operating agreement includes a provision for the member to be charged an additional assessment in the event that total claims paid by the Trust exceed the members' contributions and reserves in any single year. The District will be charged for any such assessment in the following year. The District also carries commercial insurance for other risks of loss, including workers' compensation, employees' health, accidental death and dismemberment for students and employees, employee travel, and student athlete injuries. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

In addition, the District is a member of the Yuma Area Benefit Consortium (the Consortium), which provides basic or major medical coverage for accidents or sicknesses, as well as dental and vision insurance coverage to its employees through the Consortium. The Consortium, currently composed of three voting entities and some small non-voting agencies, provides benefits up to \$250,000 per individual per calendar year through a self-funding agreement with its participants and purchases commercial insurance to cover claims in excess of this limit. An independent administrator provides the Consortium with claims and recordkeeping services. The District is responsible for paying a set amount to the Consortium for each eligible employee. The District charges participating employees a contribution rate, depending on the health plan chosen by the employee. The District would be assessed an additional amount (to what was submitted as contributions) to fund the deficiency should the Consortium become insolvent. This additional contribution shall not exceed the amount of the District's annual contribution (i.e., premium), and once made, thereby releases the District from further legal obligations of any type. Should the District withdraw from the Consortium, it would then be responsible for its proportional share of claims run-out costs that exceed the Consortium reserves established for the incurred but not reported claims liability. If the Consortium were to terminate, the District would be responsible for its proportional share of any Consortium deficit. The District's proportional share upon termination shall not exceed the amount of the District's annual contributions, and once made, releases the District from all further legal obligations of any type. No additional contributions to the Consortium have been made in any of the past 3 fiscal years.

Note 7 - Pensions

Plan description—District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website as www.azasrs.gov.

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Benefits provided—The ASRS provides retirement and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.12 percent for retirement of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.05 percent for retirement of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.14 percent for retirement of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension plan for the year ended June 30, 2025 were \$3,799,680.

Liability—At June 30, 2025, the District reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension (asset)
	liability
Pension	\$36,917,073

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The net liability was measured as of June 30, 2024. The total liability used to calculate the net liability was determined using the update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

The District's proportion of the net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The District's proportion measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were:

ASRS	Proportion	Increase (decrease) from
Pension	June 30, 2024	June 30, 2023
Pension	0.23071%	0.01208

Expense—For the year ended June 30, 2025, the District recognized the following pension expense.

ASRS	Pension expense
Pension	\$2,742,211

Deferred outflows/inflows of resources—At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Pension	
	Deferred outflows	Deferred inflows
	of resources	of resources
Differences between expected and actual experience	\$ 2,060,676	
Net difference between projected and actual earnings on plan investments		\$ 2,357,559
Changes in proportion and differences between District contributions and proportionate share of contributions	1,293,358	350,829
District contributions subsequent to the measurement date	<u>3,799,680</u>	
Total	<u>\$7,153,714</u>	<u>\$2,708,388</u>

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized as expenses as follows:

Year ending June 30	
2026	\$ (743,471)
2027	2,418,533
2028	(596,776)
2029	(432,640)

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Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9–8.4%
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected geometric real rate of return
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.05%
Private equity	10%	6.11%
Interest rate sensitive	<u>6%</u>	(0.45)%
Total	<u>100%</u>	

Discount rate—At June 30, 2024, the discount rate used to measure the ASRS total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

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	1% Decrease (6.0%)	Current discount rate (7.0%)	1% Increase (8.0%)
District's proportionate share of the net pension liability	\$56,527,587	\$36,917,073	\$20,573,421

Plan fiduciary net position—Detailed information about the plan’s fiduciary net position is available in the separately issued ASRS financial report.

Note 8 - Operating expenses

The District’s operating expenses are presented by functional classification in the statement of revenues, expenses, and changes in net position—primary government. The operating expenses can also be classified into the following:

Personnel services	\$ 50,020,547
Contract services	10,723,798
Supplies	3,774,632
Communications/utilities	2,588,900
Scholarships	13,995,335
Depreciation/amortization	7,784,045
Other	<u>8,426,330</u>
Total	<u>\$ 97,313,587</u>

The District uses credit cards to pay certain vendors for goods and services. The District received \$47,016 in rebates resulting from credit card payments for the year ended June 30, 2025.

Note 9 – Discretely presented component unit disclosures

The District’s discretely presented component unit is composed of the Arizona Western College Foundation.

Summary of significant accounting policies

Nature of Operations—Arizona Western College Foundation, “the Foundation”, is a 501(c)(3) nonprofit organization incorporated May 15, 1963, in the State of Arizona, to help students reach their career goals through collaborative contributions, scholarships, and grants. The Foundation provides funding for educational needs and individual scholarships through Arizona Western College and other special projects. The Foundation manages over 250 scholarship, program and capital funds for a wide variety of programmatic areas.

Basis of Presentation—The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

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Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors. The Governing Board has designated, from net assets without donor restrictions, net assets for the purpose of matching donated contributions for the Dreams to Reality Program. These assets are held in investments in a board designated endowment fund.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

See **Net assets** for more information on the composition of net assets with donor restrictions and the release of restrictions.

Basis of Accounting—The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents—For purposes of the statement of cash flows, all highly liquid investments with maturity of three months or less when purchased are considered cash equivalents.

Investments—Investments are reported at fair value. Net investment income return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentration of Credit and Market Risk—Financial instruments that potentially expose the Foundation to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Foundation maintains its cash and cash equivalents in bank deposit accounts, which may exceed federally insured limits. To minimize risk, the Foundation’s cash and cash equivalents have been placed with high quality financial institutions. The Foundation maintains its cash and cash equivalents balances with one financial institution. At June 30, 2025, the Foundation’s cash and cash equivalents exceeded federally insured limits by \$7,657. The Foundation’s investments do not represent significant concentrations of market risk as the Foundation’s investment portfolio is adequately diversified among issuers.

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Fair Value Measurements—Fair value is defined as the price the Foundation would receive upon selling an asset in an orderly transaction to an independent buyer in the principal market of the asset. A three-tier hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Observable inputs are those that reflect assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data. Inputs that are unobservable, including the Foundation's own assumptions in determining the fair value of assets such as published catalogs, vendors, independent appraisals, and other sources. Methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales can be used.

In some cases, inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level within which the asset falls is determined based on the lowest level input that is significant to the asset in its entirety.

Revenue and Revenue Recognition—The Foundation receives revenues from two separate sources: (1) contributions and (2) special events. Revenues from contributions and donations (both with and without donor-imposed restrictions) consist of cash, securities, or other assets. Revenues from special events consist of sponsorships, sales of tickets or registration for the events, and proceeds from auctions.

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As of June 30, 2025, the Foundation did not have any conditional promises to give.

The Foundation recognizes special events revenue when the performance obligations have been met, which is the point in time that the event occurs.

Pledges Receivable—Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. As of June 30, 2025, short term pledges receivable totaled

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\$119,028. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded as long-term assets. As of June 30, 2025, long-term pledges receivable totaled \$226,000. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

Accounts Receivable—Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for credit losses adjustment to a based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are considered by management to be collectible in full and, accordingly, an allowance for credit losses is not considered necessary.

Compensated Absences—Employees are entitled to personal time off (PTO), depending on the job classification, length of service, and other factors. It is the Foundation's policy to recognize the cost of compensation absence when leave is earned by employees.

Deferred Revenue—The Foundation holds an annual event around October of each year. Payments received for sponsorships and tickets prior to year end for the next year's event are recorded as deferred revenue and recognized at the time of the event. As of June 30, 2025, the Foundation recorded \$9,500 of deferred revenue related to the October 2025 annual event.

In-Kind Contributions—In-kind revenue is recognized in circumstances in which the Foundation has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with FASB ASC 958, Not-For-Profit Entities: Revenue Recognition - Contributions. Accordingly, the recognition of In-kind revenue is limited to circumstances in which the Foundation takes constructive possession of the In-kind contribution, and the Foundation is the recipient of the contribution, rather than an agent or intermediary.

In circumstances in which the Foundation is functioning as an agent or intermediary with respect to the In-kind contributions, the Foundation reports an asset and corresponding liability measured at the fair value at the earlier of the time the goods are promised or received from the resource provider, and until the Foundation remits the In-kind contributions to the ultimate beneficiary.

Contributed nonfinancial assets include donated professional services, donated equipment, and other In-kind contributions which are recorded at the respective fair value of the goods or services received. The Foundation does not sell donated gifts-in-kind it receives. In addition to contributed nonfinancial assets, volunteers may contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Income Tax Status—The Foundation is exempt from federal and State income taxes under section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as a foundation other than a private foundation under section 509(a)(2). The Foundation's Form

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990, Return of Organization Exempt from Income Taxes, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

Functional Expenses—The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Advertising—The Foundation uses advertising to promote its programs and special events among the audiences it serves. The production costs of advertising are expensed as incurred. During the current fiscal year, advertising costs totaled \$2,715.

Liquidity and availability

The following represents the Foundation’s financial assets at June 30, 2025:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,950,234
Pledges receivable	345,028
Investments	<u>4,703,466</u>
Total financial assets	<u>7,998,728</u>
Less amounts not available to be used within one year:	
Pledges receivable – long term	\$ (226,000)
Net assets with donor restrictions	(6,252,406)
Quasi-endowment established by the Board	<u>(409,669)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,110,653</u>

The Foundation does not have a formal policy regarding operating reserves; however, 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. Although the Foundation does not intend to spend from its quasi-endowment, amounts could be made available if necessary. The Foundation did not have any lines of credit during the current fiscal year.

Investments and fair value measurements

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, see Fair Value Measurements.

The following table sets forth, by level within the fair value hierarchy, the Foundation’s investments at fair value as of June 30, 2025:

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Fair Values Measured on Recurring Basis

Fair Value Measurement at the End of the Reporting Period Using:

	Total	Level 1	Level 2	Level 3
Investments				
Mutal funds	\$ 21,077	\$ 21,077		
Fixed income investments	3,293,270	3,293,270		
Equities	<u>1,389,119</u>	<u>1,389,119</u>		
Total investments	<u>\$ 4,703,466</u>	<u>\$ 4,703,466</u>		

The Foundation recognizes transfers of assets into and out of levels as of the date an event or change causes the transfer. There were no transfers between levels in the year ended June 30, 2025.

Endowments

The Foundation’s endowment consists of approximately 152 individual funds established for student scholarships. The endowment includes both donor-restricted funds and funds designated by the Board to meet matching requirements. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law—The Board of Directors of the Foundation has interpreted the State of Arizona’s version of 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, the Foundation retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures 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:

- a. The duration and preservation of the fund
- b. The purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policies of the Foundation

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Endowment Net Asset Composition by Type of Fund as of June 30, 2025 was as follows:

	Without donor restriction	With donor restriction	Total
Donor-restricted funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$	\$ 3,111,880	\$ 3,111,880
Accumulate investment gains and contributions		1,581,992	1,581,992
Board-designated endowment funds:			
Title V Match	<u>409,669</u>	<u> </u>	<u>409,669</u>
Total funds	<u>\$ 409,669</u>	<u>\$ 4,693,872</u>	<u>\$ 5,103,541</u>

Investment Return Objectives, Risk Parameters and Strategies—The Foundation has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of three to four percent, while growing the funds if possible.

Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately six to eight percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy—The Foundation has a policy of appropriating for distribution each year between three and four percent of its endowment funds' average fair value, provided that the value of the particular endowment is at least 105 percent of its principal. Any income in excess of annual spending is to be reinvested in the endowment account. Money reinvested in the endowment account shall not be considered principal of that account unless so designated by the Board or as stipulated by the donor. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to be consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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Changes in Endowment Net Assets as of June 30, 2025 were:

	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of year	\$ 401,814	\$ 4,451,807	\$ 4,853,621
Contributions		402,638	402,638
Reclassification	(6,791)	(947)	(7,738)
Investment return, net	27,172	298,445	325,617
Amounts appropriated for expenditure	<u>(12,526)</u>	<u>(458,071)</u>	<u>(470,597)</u>
Endowment net assets, end of year	<u>\$ 409,669</u>	<u>\$ 4,693,872</u>	<u>\$ 5,103,541</u>

Net assets

Net assets without donor restrictions consisted of the following at June 30, 2025:

Designated for Title V match	\$ 409,669
Undesignated	<u>1,295,296</u>
Total	<u>\$1,704,965</u>

Net assets with donor restrictions consisted of the following at June 30, 2025:

Perpetual and specific purpose	
Endowments	\$4,693,872
Title V Dreams to Reality	6,174
Instruction	1,068,488
Passage of Time	
Title V Dreams to Reality	<u>483,872</u>
Total	<u>\$6,252,406</u>

Net assets released from donor restrictions are as follows:

Satisfaction of purpose restrictions	
Scholarships	\$458,070
Instruction	307,812
Title V Dreams to Reality	<u>14,065</u>
Total	<u>\$779,947</u>

In-Kind Contributions

The Foundation received the following contributions of nonfinancial assets for the year ended June 30, 2025:

Contributed nonfinancial assets	
Salaries and benefits	\$378,285
Rent	16,398
Services	25,522
Other	19,163
Auction items	<u>6,159</u>
Total	<u>\$445,527</u>

Yuma/La Paz Counties Community College District

(Arizona Western College)

Notes to financial statements

June 30, 2025

Arizona Western College pays 100 percent of the salaries and benefits for the Chief Operating Officer and the Development Manager of the Foundation, as well as 60 percent of the salaries and benefits for the Executive Director and 60-80 percent of the salaries and benefits for the Grants Writer and Coordinator.

In addition, Arizona Western College contributes office space to the Foundation on a month-to-month basis. During the fiscal year, the Foundation utilized 847 square feet of office space and storage.

Contributed services consisted of consulting services for coaching and professional development for the Foundation's employees.

Other contributed nonfinancial assets consisted of office expenses, paid memberships, travel accommodations, and other minimal expenses paid for by Arizona Western College.

All donated services and goods were utilized by the Foundation's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and goods.

The Foundation also receives donated auction items to be sold at their special event. There were no unsold auction items after the event. Contributed auction items are initially valued at their estimated fair value and adjusted to the sale price received during the auction on the day of the event.

Concentrations

The Foundation receives a substantial amount of its support from Arizona Western College for a significant portion of its operating expenses for services performed by the Foundation. The loss of such support could have a material impact on the operations of the Foundation.

Subsequent Event

In July 2023, the Foundation received a pledge of \$565,000 to support several scholarship and program funds. The Foundation expects to receive the full pledged amount in installments of \$113,000 over the period of five years. As of June 30, 2025, the Foundation has received two installments totaling \$226,000. The third payment of \$132,000 was received on July 21, 2025, and included additional \$19,000 early distribution of the next scheduled payment.

Other Required Supplementary Information

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of the District's proportionate share of the net pension liability
June 30, 2025

Arizona State Retirement System

	Reporting fiscal year (Measurement date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's proportion of the net pension liability	0.230710%	0.218630%	0.226390%	0.238220%	0.232260%	0.237730%	0.237050%	0.234410%	0.253700%	0.258180%
District's proportionate share of the net pension liability	\$ 36,917,073	\$ 35,377,493	\$ 36,951,876	\$ 31,301,050	\$ 40,242,575	\$ 34,592,481	\$ 33,060,133	\$ 36,516,509	\$ 40,949,729	\$ 40,216,044
District's covered payroll	\$ 31,572,631	\$ 27,761,463	\$ 26,314,332	\$ 26,139,986	\$ 25,141,739	\$ 25,109,014	\$ 23,654,893	\$ 23,355,636	\$ 23,105,663	\$ 24,188,420
District's proportionate share of the net pension liability as a percentage of its covered payroll	117%	127%	140%	120%	160%	138%	140%	156%	177%	166%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

Yuma/La Paz Counties Community College District
(Arizona Western College)
Required supplementary information
Schedule of the District's pension contributions
June 30, 2025

Arizona State Retirement System	Reporting fiscal year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 3,799,680	\$ 3,656,347	\$ 3,168,407	\$ 3,191,441	\$ 3,245,199	\$ 3,095,566	\$ 2,919,511	\$ 2,552,655	\$ 2,573,271	\$ 2,710,797
District's contributions in relation to the statutorily required contribution	<u>3,799,680</u>	<u>3,656,347</u>	<u>3,168,407</u>	<u>3,191,441</u>	<u>3,270,335</u>	<u>3,036,260</u>	<u>2,919,511</u>	<u>2,552,655</u>	<u>2,573,271</u>	<u>2,710,797</u>
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,136)</u>	<u>\$ 59,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,531,027	\$ 31,572,631	\$ 27,716,463	\$ 26,314,332	\$ 26,139,986	\$ 25,141,739	\$ 25,109,014	\$ 23,654,893	\$ 23,355,636	\$ 23,105,663
District's contributions as a percentage of covered payroll	12.05%	11.58%	11.43%	12.13%	12.41%	12.31%	11.63%	10.79%	11.02%	11.73%