Keegan Linscott & Associates, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

TOHONO O'ODHAM COMMUNITY COLLEGE

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management
Tohono O'odham Community College
Sells, Arizona

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tohono O'odham Community College (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of cash flows and expenses by function and nature for the years then ended, and the related statement of activities for the year ended June 30, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, in 2023, the Organization adopted ASU No. 2016-02*, Leases (Topic 842).* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to

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continue as a going concern for one year after the date that the consolidated financial statements are issued (or within one year after the date that the consolidated financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 Organization’s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2024, on our consideration of the Organization’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 Organization’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 Organization’s internal control over financial reporting and compliance.

Keegan Linscott & Associates, PC

Tucson, Arizona
March 25, 2024

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 13,785,304	$ 13,892,205
Investments	1,797,124	1,752,710
Accounts receivable, net	298,223	434,030
Unbilled grants receivable	4,005,440	1,610,392
Contributions receivable	-	300,000
Inventory	232,318	145,281
Prepaid expenses	-	7,509
Total current assets	20,118,409	18,142,127
Beneficial interest in funds held by others	422,012	399,649
Capital assets, net	10,228,013	10,121,537
Operating lease right-of-use assets, net	364,478	-
Total assets	$ 31,132,912	$ 28,663,313
Liabilities		
Current liabilities		
Accounts payable	$ 472,492	$ 973,292
Accrued expenses	1,700,045	574,144
Unearned revenue	11,929,245	11,850,560
Operating lease liabilities, current portion	48,510	-
Total current liabilities	14,150,292	13,397,996
Operating lease liabilities, long-term portion	319,651	-
Total liabilities	14,469,943	13,397,996
Net Assets		
Without donor restrictions	16,351,198	14,613,165
With donor restrictions	311,771	652,152
Total net assets	16,662,969	15,265,317
Total liabilities and net assets	$ 31,132,912	$ 28,663,313

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Summarized Total 2022
Revenues and Other Support				
Tuition and fees	$ 1,797,223	$ -	$ 1,797,223	$ 1,160,231
Legislative appropriation	5,096,045	-	5,096,045	4,853,376
Government grants	10,702,290	504,276	11,206,566	7,462,945
Gifts	52,622	-	52,622	44,236
Bookstore sales	275,099	-	275,099	117,739
Investment income (loss), net	50,870	7,396	58,266	(228,347)
Miscellaneous income	22,728	-	22,728	26,418
Net assets released from restrictions	852,053	(852,053)	-	-
Total revenues and other support	18,848,930	(340,381)	18,508,549	13,436,598
Expenses				
Educational program services				
Instruction	2,219,899	-	2,219,899	1,931,147
Student services	1,177,689	-	1,177,689	1,998,488
Student life	547,046	-	547,046	370,670
Auxiliary enterprises	457,144	-	457,144	332,481
Sponsored projects	2,187,369	-	2,187,369	2,180,287
New campus development	22,516	-	22,516	323,045
Total program services	6,611,663	-	6,611,663	7,136,118
Supporting services				
Academic support	1,451,074	-	1,451,074	1,063,456
Student financial aid	2,283,581	-	2,283,581	1,372,688
Sustainability	155,374	-	155,374	170,029
Cultural	70,791	-	70,791	108,632
Operations & maintenance	1,289,668	-	1,289,668	909,602
Institutional support	5,248,746	-	5,248,746	4,171,114
Total expenses	17,110,897	-	17,110,897	14,931,639
Change in net assets	1,738,033	(340,381)	1,397,652	(1,495,041)
Net assets, beginning of year	14,613,165	652,152	15,265,317	16,760,358
Net assets, end of year	$ 16,351,198	$ 311,771	$ 16,662,969	$ 15,265,317

CONSOLIDATED STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2023
Page 1 of 2

	Instruction	Student Services	Student Life	Auxiliary Enterprises	Sponsored Projects	New Campus Development	Total Educational Program Services
Salaries and wages	$ 1,678,403	$ 737,290	$ 364,361	$ 155,459	$ 912,508	$ -	$ 3,848,021
Payroll taxes	119,703	51,744	26,255	11,344	72,844	-	281,890
Payroll benefits	186,539	139,437	53,845	23,459	147,414	-	550,694
Total personnel	1,984,645	928,471	444,461	190,262	1,132,766		4,680,605
Advertisement and promotion	-	3,314	544	4,087	8,697	-	16,642
Auto	9,539	6,475	1,800	1,977	51,832	-	71,623
Awards and gifts	-	-	-	-	-	-	-
Bad debt	16,180	8,584	3,987	3,332	15,943	164	48,190
Communications	-	116	-	-	3,884	-	4,000
Cost of goods sold	-	-	-	153,680	-	-	153,680
Dues and memberships	2,449	2,460	-	9,010	6,008	-	19,927
Employee training and recruiting	-	15,509	-	586	25,551	-	41,646
Equipment	2,446	3,928	-	-	37,200	-	43,574
Grant expense	-	-	-	-	1,200	-	1,200
Insurance	-	-	-	-	-	-	-
Meals and events	-	14,479	2,191	3,960	-	-	20,630
Meeting expense	4,959	7,413	430	-	9,776	-	22,578
Miscellaneous	-	-	-	3,400	106	-	3,506
Occupancy	-	4,375	-	-	-	-	4,375
Printing and postage	-	1,255	-	5,581	3,658	-	10,494
Professional	9,670	22,614	-	11,791	112,109	-	156,184
Repair and maintenance	-	-	-	-	328,690	-	328,690
Student benefits	300	13,959	61,527	-	267,373	-	343,159
Subcontractor	-	-	576	14,646	-	16,943	32,165
Supplies	67,909	12,072	4,351	25,578	65,816	4,315	180,041
Travel	13,937	51,832	598	7,041	6,164	-	79,572
Tuition and program	-	23,609	-	-	4,312	-	27,921
Total expenses before depreciation	2,112,034	1,120,465	520,465	434,931	2,081,085	21,422	6,290,402
Depreciation	107,865	57,224	26,581	22,213	106,284	1,094	321,261
Total expenses	$ 2,219,899	$ 1,177,689	$ 547,046	$ 457,144	$ 2,187,369	$ 22,516	$ 6,611,663

CONSOLIDATED STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2023
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	Academic Support	Student Financial Aid	Sustainability	Cultural	Operations & Maintenance	Institutional Support	Total
Salaries and wages	$ 251,692	$ -	$ 120,888	$ 26,819	$ 449,355	$ 1,144,684	$ 5,841,459
Payroll taxes	17,953	-	8,022	1,469	32,692	79,594	421,620
Payroll benefits	36,812	-	11,320	8,525	96,565	232,299	936,215
Total personnel	306,457	-	140,230	36,813	578,612	1,456,577	7,199,294
Advertisement and promotion	-	-	-	-	-	4,598	21,240
Auto	757	-	2,231	2,000	87,360	24,100	188,071
Awards and gifts	12,117	-	-	-	-	11,500	23,617
Bad debt	10,577	16,644	1,132	516	9,400	38,258	124,717
Communications	-	-	-	-	-	123,020	127,020
Cost of goods sold	55,336	-	-	-	-	-	209,016
Dues and memberships	22,813	-	-	-	-	185,000	227,740
Employee training and recruiting	-	-	-	-	-	4,000	45,646
Equipment	4,916	-	-	-	148,684	42,231	239,405
Grant expense	858,603	-	-	-	-	574	860,377
Insurance	-	-	-	-	-	167,058	167,058
Meals and events	5,613	-	-	-	-	1,982	28,225
Meeting expense	17,817	300	1,400	2,454	-	22,850	67,399
Miscellaneous	4,393	-	-	-	-	44,577	52,476
Occupancy	-	-	-	-	250,427	8,261	263,063
Printing and postage	-	-	197	-	-	40,280	50,971
Professional	19,380	-	-	15,178	800	349,134	540,676
Repair and maintenance	-	-	-	-	63,102	-	391,792
Student benefits	20,844	-	-	4,475	19,367	1,636,700	2,024,545
Subcontractor	13,938	-	-	-	68,276	353,594	467,973
Supplies	15,934	-	978	5,781	975	192,400	396,109
Travel	10,673	-	1,636	134	-	7,385	99,400
Tuition and program	398	2,155,678	20	-	-	279,633	2,463,650
Total expenses before depreciation	1,380,566	2,172,622	147,824	67,351	1,227,003	4,993,712	16,279,480
Depreciation	70,508	110,959	7,550	3,440	62,665	255,034	831,417
Total expenses	$ 1,451,074	$ 2,283,581	$ 155,374	$ 70,791	$ 1,289,668	$ 5,248,746	$ 17,110,897

CONSOLIDATED STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2022

	Instruction	Student Services	Student Life	Auxiliary Enterprises	Sponsored Projects	New Campus Development	Total Educational Program Services
Salaries and wages	$ 1,500,120	$ 786,438	$ 269,660	$ 155,502	$ 905,919	$ -	$ 3,617,639
Payroll taxes	112,718	58,266	20,517	11,620	93,860	-	296,981
Payroll benefits	144,555	150,999	35,210	39,574	170,047	-	540,385
Total personnel	1,757,393	995,703	325,387	206,696	1,169,826		4,455,005
Advertisement and promotion	-	1,189	-	5,145	14,662	-	20,996
Auto	10,233	3,687	1,809	3,233	20,567	-	39,529
Awards and gifts	1,321	114,500	-	-	-	-	115,821
Bad debt	11,206	11,597	2,151	1,929	12,651	1,875	41,409
Communications	40	570	-	-	667	-	1,277
Cost of goods sold	-	-	-	20,925	169,112	-	190,037
Dues and memberships	2,627	285	-	8,506	-	-	11,418
Employee training and recruiting	-	22,438	-	937	6,600	-	29,975
Equipment	408	35,285	-	-	56,124	219,280	311,097
Grant expense	-	-	-	-	1,200	-	1,200
Insurance	-	-	-	-	3,845	-	3,845
Meals and events	-	16,521	1,140	3,806	725	-	22,192
Meeting expense	7,398	1,950	-	-	8,899	-	18,247
Miscellaneous	-	-	-	2,626	665	-	3,291
Occupancy	-	3,198	-	-	221	-	3,419
Printing and postage	-	1,095	-	-	169	-	1,264
Professional	800	7,500	-	5,789	142,721	74,547	231,357
Repair and maintenance	-	-	-	-	101,010	-	101,010
Student benefits	-	628,868	15,662	-	138,903	-	783,433
Subcontractor	-	-	-	15,006	161,318	10,166	186,490
Supplies	32,765	36,533	4,687	32,621	46,033	-	152,639
Travel	4,271	10,693	104	6,521	8,136	-	29,725
Tuition and program	-	610	20	1,062	300	-	1,992
Total expenses before depreciation	1,828,462	1,892,222	350,960	314,802	2,064,354	305,868	6,756,668
Depreciation	102,685	106,266	19,710	17,679	115,933	17,177	379,450
Total expenses	$ 1,931,147	$ 1,998,488	$ 370,670	$ 332,481	$ 2,180,287	$ 323,045	$ 7,136,118

CONSOLIDATED STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2022
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	Academic Support	Student Financial Aid	Sustainability	Cultural	Operations & Maintenance	Institutional Support	Total
Salaries and wages	$ 176,043	$ -	$ 121,764	$ 66,468	$ 338,583	$ 1,258,949	$ 5,579,446
Payroll taxes	13,706	-	9,071	5,020	25,914	93,691	444,383
Payroll benefits	49,797	-	19,910	12,036	83,584	217,400	923,112
Total personnel	239,546	-	150,745	83,524	448,081	1,570,040	6,946,941
Advertisement and promotion	-	-	3,422	-	-	5,667	30,085
Auto	83	-	1,809	976	67,174	50,433	160,004
Awards and gifts	35,850	-	-	-	-	27,516	179,187
Bad debt	6,171	7,965	987	630	5,278	24,203	86,643
Communications	-	-	-	-	-	149,740	151,017
Cost of goods sold	108,987	-	-	-	-	-	299,024
Dues and memberships	13,981	-	-	-	-	100,108	125,507
Employee training and recruiting	-	-	-	-	-	-	29,975
Equipment	3,094	-	325	-	-	20,778	335,294
Grant expense	546,097	-	-	-	-	-	547,297
Insurance	-	-	-	-	-	131,654	135,499
Meals and events	2,000	-	-	651	-	2,112	26,955
Meeting expense	4,706	-	307	699	-	14,219	38,178
Miscellaneous	11,484	-	-	-	-	105,580	120,355
Occupancy	-	-	-	-	209,487	66,988	279,894
Printing and postage	-	-	-	-	-	23,007	24,271
Professional	15,250	-	-	6,060	-	307,592	560,259
Repair and maintenance	-	-	-	-	5,222	-	106,232
Student benefits	5,250	-	-	4,275	10,706	812,895	1,616,559
Subcontractor	7,075	-	-	-	114,694	318,392	626,651
Supplies	5,840	744	2,484	6,041	594	213,926	382,268
Travel	1,495	-	909	-	-	4,121	36,250
Tuition and program	-	1,290,989	-	-	-	350	1,293,331
Total expenses before depreciation	1,006,909	1,299,698	160,988	102,856	861,236	3,949,321	14,137,676
Depreciation	56,547	72,990	9,041	5,776	48,366	221,793	793,963
Total expenses	$ 1,063,456	$ 1,372,688	$ 170,029	$ 108,632	$ 909,602	$ 4,171,114	$ 14,931,639

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 1,397,652	$ (1,495,041)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for bad debt	171,208	86,865
Write-off of allowance for doubtful accounts	(46,491)	(222)
Depreciation	831,417	793,963
Net realized and unrealized loss on investments	18,538	213,795
Net realized and unrealized (gain) loss on beneficial interest in funds held by others	(21,755)	48,275
Reduction in carrying amount of operating lease right-of-use assets	22,852	-
Changes in operating assets and liabilities		
Accounts receivable	11,090	(252,718)
Unbilled grants receivable	(2,395,048)	1,781,300
Contributions receivable	300,000	-
Inventory	(87,037)	128,710
Prepaid expenses	7,509	(2,925)
Accounts payable	(500,800)	(15,673)
Accrued expenses	1,125,901	(5,914)
Unearned revenue	78,685	1,082,134
Operating lease liabilities	(19,169)	-
Net cash provided by operating activities	894,552	2,362,549
Cash Flows from Investing Activities		
Purchases of capital assets	(937,893)	(336,000)
Proceeds from sale of investments	-	13,000
Purchases of investments	(62,952)	(347,815)
Contributions and reinvestments in beneficial interest in funds held by others	(608)	(2,153)
Net cash used in investing activities	(1,001,453)	(672,968)
Net change in cash and cash equivalents	(106,901)	1,689,581
Cash and cash equivalents, beginning of year	13,892,205	12,202,624
Cash and cash equivalents, end of year	$ 13,785,304	$ 13,892,205
Supplemental Disclosure of Cash Flow Information		
Cash paid for amounts included in measurement of lease liabilities		
Operating cash outflows - payments on operating leases	$ 29,153	$ -
Right-of-use assets obtained in exchange for new lease obligations		
Operating leases	$ 387,330	$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

Tohono O'odham Community College ("TOCC") is a nonprofit organization chartered by Tohono O'odham Nation (the "Nation") as a separate legal entity in 1998. TOCC's mission is to enhance the unique Tohono O'odham Himdag by strengthening individuals, families and communities through holistic, quality, higher education services. These services include research opportunities and programs that address academic, life and development skills. TOCC's main sources of revenue are the Nation's appropriations, government grants and tuition.

Tohono O'odham Community College Development, LLC ("Development") a single member limited liability company, was formed by TOCC during 2012, to provide construction services and the operation of apprenticeship programs. As a limited liability company, the member's liability is limited. TOCC is the sole member of Development.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of TOCC and Development (collectively the "Organization") and are not intended to present the financial position and activity of the Nation in it's entirety. All material inter-company balances and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide consolidated financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for use without restriction unless specifically restricted by the donor.

- **With Donor Restrictions** – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time. Net assets with donor restrictions also includes net assets that are subject to donor-imposed stipulations such that assets must be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Expenses are generally reported as decreases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as increases in net assets without donor restrictions.

Endowment Funds

The Organization's endowments were established to support, further and enhance the mission of the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as assets that have been designated by the Board of Trustees. These endowments consist of one fund held and managed at the Community Foundation of Southern Arizona ("CFSA") and are comprised of agency advised funds. Agency advised funds represent assets transferred by the Organization to CFSA to establish an endowment for the benefit of the Organization (i.e., the Organization has specified themselves as the beneficiary). The Organization received grants from the U.S. Department of the Interior to establish the endowment fund. Under the terms of the grants, the Organization was required to deposit the federal grant funds and a match totaling 50% of the grant from any private or tribal source. If the Organization withdraws the corpus of the fund, the amount contributed by the Federal government must be returned to the Department of the Interior. The Organization has not made any withdrawals from the fund since its inception. The earnings are restricted for operating purposes.

The Organization has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or UPMIFA), which underlies the Organization's net asset classification of donor-restricted endowment funds, as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) if applicable, accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the law, at which time those amounts will be reported as net assets without donor restrictions.

Accordingly, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization's and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that assume a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The primary purpose of the Organization is to maximize growth and earnings by the prudent investment of these funds.

The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless precluded by donor intent or relevant laws and regulations. The Organization did not spend from underwater endowment funds during the year.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Organization to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2023 and 2022.

Revenue Recognition

Contributions

Government Grants - The Organization accounts for its government grants by first determining whether the transaction is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction and the Organization recognizes revenue in accordance with ASC 606. Government grants revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred or services are provided. If the transaction is considered a contribution, then the Organization recognizes revenue in accordance with ASC 958-605. For the years ended June 30, 2023 and 2022, none of the Organization's government grants revenues were considered exchange transactions.

Contributions and Gifts - Contributions and gifts are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

- **Conditional** – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

- **Unconditional** – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)
Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the consolidated statement of financial position for the amount of funds provided by the donor. Consequently, government funded grants revenue which are considered conditional contributions are recognized when the related barriers to provide services are delivered and/or expenditures are incurred.

Donated Goods, Capital Assets and Services
Contributions of donated non-cash assets including goods and capital assets are recorded at their fair values on the date the asset is donated. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire capital assets are reported as restricted support. Absent explicit donor stipulations, contributions of long-lived assets or cash or other assets to be used to acquire or construct long-lived assets are reported as net assets without donor restrictions when placed in service.

Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation.

Exchange Transactions
The Organization recognizes tuition and fees, bookstore sales and development revenues in accordance with ASC 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Tuition and Fees – The Organization's tuition and fees are paid by students and/or agencies on their behalf. Student tuition and fees are recognized in the fiscal year in which the academic programs are delivered, i.e. when the performance obligation is satisfied. Withdrawals that occur prior to a published deadline may receive a full or partial refund in accordance with the Organization's refund policy. Historically, refunds have not been significant. Payments for tuition are due, prior to the first day of the start of the academic term unless addressed by a payment plan in good standing. All payment plans must be complete prior to the end of the academic term. Generally, the Organization 's performance obligations are satisfied equally over the academic term. The Organization applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the 2022-2023 academic year. The Organization determines the transaction price based on standard charges for goods and services provided reduced by discounts provided, relating to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

institutional scholarships and fellowships in accordance with the Organization 's policies. The majority of the Organization's students rely on funds received from various Federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education ("ED"). Disbursements under each program are subject to disallowance by ED and repayment by the Organization. In addition, as an educational institution, the Organization is subject to licensure from various accrediting and state authorities and other regulatory requirements of ED. A receivable is recorded to the extent recorded revenues exceed payment received; conversely, unearned revenue is recorded when cash received exceeds earned revenues.

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring services to the customer. Revenue is recorded based on the transaction price, which includes estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Organization estimates the amount of variable consideration at the expected value based on its assessment of legal enforceability, anticipated performance and a review of specific transactions, historical experience and market and economic conditions. The Organization historically has not experienced any significant incidents affecting the defined levels of reliability and performance as required by the contracts.

Bookstore Sales – The Organization's campus bookstore sells textbooks and other educational related materials. These sales are recorded at a determined transaction price, which varies by item. The Organization records revenue from these sales upon delivery of the goods to the customer, which occurs at the point of sale. Performance obligations are determined to be the completed sale of each item.

Development Revenues – The Organization's development revenues relate to its apprenticeship programs which provide skilled labor services on projects located within the Tohono O'odham Nation. The Organization recognizes development revenues under fee-for-service agreements when skilled labor services are rendered. Performance obligations are determined based on the nature of the services provided. Management believes that an individual hour of skilled labor services provided to the client is considered one performance obligation, with the transaction price recognized as revenue when the performance obligations are transferred to the client. The Organization recognizes revenue over time since the client simultaneously receives and consumes the benefits of the services provided per each skilled labor hour. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

The timing of revenue recognition may not align with the right to invoice the customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability, such as unearned revenue is also recorded. If revenue is recognized in advance of the right to invoice, a contract asset, such as unbilled receivable is recorded. The Organization recognized $0 in development revenues for the years ended June 30, 2023 and 2022, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Disaggregated Revenue - As discussed previously, revenue from the bookstore sales are recognized at a point in time, whereas revenue from tuition and fees and development revenues are recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended June 30:

	2023	2022
Revenue recognized at a point in time	$ 275,099	$ 117,739
Revenue recognized over time	1,797,223	1,160,231
Total revenue	$ 2,072,322	$ 1,277,970

Cash and Cash Equivalents

For financial statement reporting purposes, the Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates their fair values. The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit (see Note 14). The Organization has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk.

Accounts and Unbilled Grants Receivable

The Organization grants unsecured credit to its customers, the U.S. government and state agencies without interest. Unbilled receivables represent revenue earned during the reporting period but not billed to the funding agency until a future period, as specified per the related award agreements. Accounts and unbilled grants receivable are stated at the amount that the Organization expects to collect from various governmental entities, students, and other funding sources on outstanding balances, net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected and is based on management's assessment of the collectability of specific accounts and the aging of the receivable. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Recoveries of receivables previously written off are recorded when received. For accounts receivable as of June 30, 2023 and 2022, management estimated an allowance for uncollectible accounts of $344,494 and $173,286, respectively. For grants receivable, management considers the balance fully collectible as of June 30, 2023 and 2022.

Contributions Receivable

The Organization accounts for contributions receivable to be made in future years as unconditional promises to give in the year the promise is made. If significant, contributions receivable to be received after one year are presented at their discounted present value at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. The fair value amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. All contributions receivable deemed to be uncollectible are written off. As of June 30, 2023 and 2022, management considered all contributions receivable to be collectible, therefore, no allowance for uncollectible promises has been provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Inventory
Inventory consists of textbooks and school supplies and is recorded at the lower of cost (first-in, first-out method) or net realizable value.

Investments
Debt and Equity Securities - Investments are accounted for in accordance with ASC 958-320, *Investments - Debt and Equity Securities*. Investments in debt and equity securities are valued at their fair values in the accompanying consolidated statements of financial position. Investment income, gains and losses are reported net of related investment fees in the consolidated statement of activities as increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Donated investments are recorded at fair value.

The Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. Through June 30, 2023, the Organization has not experienced other-than-temporary impairment losses on its investments.

Beneficial Interest in Funds Held by Others
In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Organization measures the fair value of agency advised funds held at the CFSA using the fair value of the underlying assets. Annual distributions from the funds are reported as investment income. Investment income, gains and losses are reported in the accompanying consolidated statements of activities as increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized.

CFSA on behalf of the Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Beneficial Interest in Funds Held by Others (continued)
Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and its intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Capital Assets
Capital assets are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Asset	Useful Life
Buildings and improvements	5 – 25 years
Land improvements	5 – 15 years
Leasehold improvements	5 – 6 years*
Office equipment	3 – 5 years
Furniture and fixtures	7 years
Machinery and equipment	3 – 7 years
Vehicles	5 years
Library books	10 years

*Leasehold improvements are amortized over the lesser of their useful lives or term of the corresponding lease.

The Organization capitalizes all expenditures for capital assets, including repairs or betterments that materially prolong the useful lives of assets, in excess of $5,000 with a useful life greater than one year. Repairs and maintenance for normal upkeep are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is recognized.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2023, the Organization had not experienced impairment losses on its long-lived assets.

Leases
In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Leases (continued)

classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its land and building asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2023 and 2022, advertising expense was $21,240 and $30,085, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses
The cost of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the consolidated statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated to each function pro rata on the basis of total direct expenses.

Tax Exempt Status
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Arizona income tax laws, and is classified as other than a private foundation under IRC Section 509(a)(2). Accordingly, no provision is made in the accompanying consolidated financial statements for federal and state income taxes. Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business income. Management is not aware of any matters which would cause the Organization to lose its tax-exempt status.

Management has considered its tax positions and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

The Organization recognizes interest and penalties related to unrecognized tax benefits in miscellaneous expenses in the accompanying consolidated financial statements. During the years ended June 30, 2023 and 2022, the Organization did not recognize any interest and penalties.

Estimates
The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information
The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

3. Recent Accounting Pronouncements

Adopted as of June 30, 2023
In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required (see ASU No. 2018-11 below for optional transition method) for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Adopted as of June 30, 2023 (continued)

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. This ASU is intended to reduce costs and ease implementation of the leases standard for financial statement preparers. ASU 2018-11 provides a new transition method and a practical expedient for separating components of a contract. The amendments ASU 2018-11 provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current U.S. GAAP in Topic 840, *Leases*. The amendments in ASU 2018-11 also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). The effective date and transition requirements for the amendments in this update related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02 (i.e., fiscal years beginning after December 15, 2022). All entities, including early adopters, that elect the practical expedient related to separating components of a contract in this ASU must apply the expedient, by class of underlying asset, to all existing lease transactions that qualify for the expedient at the date elected. Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities as of July 1, 2022 related to the Organization's operating leases of $225,489. The adoption of the new lease standard also resulted in significant new disclosures about the Organization's leasing activities and did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Not Adopted as of June 30, 2023

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization does not intend to early adopt. The Organization is currently evaluating the impact of adopting this new guidance on its consolidated financial statements and disclosures and does not expect the impact to be significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Liquidity and Availability of Resources

The following table shows a determination of the Organization's financial assets that are available to meet cash needs for general expenditures within one year as of June 30:

	2023	2022
Cash and cash equivalents	$ 13,785,304	$ 13,892,205
Investments	1,797,124	1,752,710
Accounts receivable, net	298,223	434,030
Unbilled grants receivable	4,005,440	1,610,392
Contributions receivable	-	300,000
Beneficial interest in funds held by others	422,012	399,649
Total financial assets	20,308,103	18,388,986
Less amounts unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions		
Endowment funds	103,953	103,953
Other donor restrictions	207,818	548,199
Board designations		
Building reserve	18,011	18,011
Operating reserve	1,800,000	1,800,000
Quasi-endowment	283,397	268,430
Financial assets available to meet cash needs for general expenditures within one year	$ 17,894,924	$ 15,650,393

The Organization is substantially supported by current year government grants and contracts and gifts, which are somewhat predictable. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's board of trustees has also established board designated building and operating reserves that are intended to provide an internal source of funds for building needs and unexpected operating needs. As of June 30, 2023 and 2022, the board designated building reserve had a balance of $18,011 and the board designated operating reserve had a balance of $1,800,000.

The Organization's board of trustees has also established a board designated quasi-endowment that is first intended to satisfy the matching requirements on its donor restricted endowment funds and secondly to provide an internal source of funds for unexpected operating needs. As of June 30, 2023 and 2022, the board designated quasi-endowment had a balance of $283,397 and $268,430, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Investments

Investments are stated at fair value and consist of the following as of June 30:

	2023	2022
Mutual Funds	$ 1,797,124	$ 1,752,710
Total Investments	$ 1,797,124	$ 1,752,710

Investment income, net related to the Organization's investments consists of the following for the years ended June 30:

	2023	2022
Interest and dividend income	$ 63,210	$ 39,886
Realized and unrealized loss on investments, net	(18,538)	(213,795)
Change in value of beneficial interest	22,363	(46,122)
Investment fees	(8,769)	(8,316)
Total investment income, net	$ 58,266	$ (228,347)

6. Fair Value Measurements

The Organization utilizes the fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization's financial assets are generally classified within Level 1 of the fair value hierarchy because they are valued using readily determinable fair values. The types of instruments valued based on readily determinable fair values in active markets include the Organization's mutual funds. Such instruments are classified within Level 1 of the fair value hierarchy.

The restricted investments held at the CFSA are categorized as Level 3 due to the lack of a market in which the Organization's units of participation in CFSA's pooled income trust (i.e., the beneficial interest) could be bought or sold. The Organization measures the fair value of its beneficial interest by taking its proportionate share of the fair value of the underlying assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2023:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Intermediate Core Bond	$ 352,170	$ 352,170	$ -	$ -
Large Blend	192,421	192,421	-	-
Short Term Bond	361,277	361,277	-	-
High Yield Bond	94,371	94,371	-	-
Emerging Markets Bond	93,084	93,084	-	-
Intermediate Core-Plus Bond	703,801	703,801	-	-
	1,797,124	1,797,124	-	-
Beneficial interest in funds held by others	422,012	-	-	422,012
Total	$ 2,219,136	$ 1,797,124	$ -	$ 422,012

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2022:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Intermediate Core Bond	$ 355,583	$ 355,583	$ -	$ -
Large Blend	161,806	161,806	-	-
Short Term Bond	355,639	355,639	-	-
High Yield Bond	86,709	86,709	-	-
Emerging Markets Bond	85,944	85,944	-	-
Intermediate Core-Plus Bond	707,029	707,029	-	-
	1,752,710	1,752,710	-	-
Beneficial interest in funds held by others	399,649	-	-	399,649
Total	$ 2,152,359	$ 1,752,710	$ -	$ 399,649

The following table presents a reconciliation of the Level 3 beneficial interest in assets held by others measured at fair value for the years ended June 30:

	2023	2022
Fair value as of July 1	$ 399,649	$ 445,771
Contributions	-	-
Investment gain (loss) included in change in net assets	27,433	(40,660)
Fees	(5,070)	(5,462)
Fair value as of June 30	$ 422,012	$ 399,649

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Capital Assets, Net

Capital assets, net consist of the following as of June 30:

	2023	2022
Buildings and improvements	$ 10,690,638	$ 10,690,638
Land improvements	4,835,735	4,835,735
Leasehold improvements	253,068	239,727
Office equipment	1,274,143	1,124,671
Furniture and fixtures	820,735	807,985
Machinery and equipment	117,522	117,522
Vehicles	232,136	232,136
Library books	149,227	149,227
Construction in progress	1,371,177	608,847
	19,744,381	18,806,488
Less accumulated depreciation	(9,516,368)	(8,684,951)
Property and equipment, net	$ 10,228,013	$ 10,121,537

8. Leases

The Organization entered into a 25-year land lease in 2007 with Pisinemo District of the Nation on which permanent and satellite campus facilities will be built. The lease requires the Organization to pay impact fees of $9,923 per year through 2023. Subsequent fees will be negotiated as prescribed, not to exceed an annual increase of 5%.

The Organization entered into a second 25-year land lease in 2008 with Schuk Toak District for TOCC's main campus. The lease agreement requires the Organization to pay impact fees of $13,230 per year through 2023. Subsequent fees will be negotiated as prescribed, not to exceed an annual increase of 5%.

The Organization entered into a 5-year sublease in May 2023 with the Economic Develop Authority for TOCC's culinary school. The lease agreement requires the Organization to pay monthly lease payments of $3,000.

The Organization entered into a 3-year lease in July 2019 with NAC for TOCC's Phoenix school. The lease agreement required the Organization to pay monthly lease payments ranging from approximately $4,100 to $5,200 through December 2022.

Any options to extend or terminate the leases are included in the lease term when it is reasonable certain that the Organization will exercise those options. The Organization's operating lease does not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

The components of lease cost are as follows for the year ended June 30, 2023:

Operating lease cost	$ 32,603
Short-term lease cost	87,136
Variable lease cost	1,206
Total lease cost	$ 120,945

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases (continued)

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Operating leases		
Operating lease right-of-use assets	$	364,478
Operating lease liabilities, current	$	48,510
Operating lease liabilities, non-current		319,651
Total operating lease liabilities	$	368,161
Weighted-average remaining lease term:		
Operating leases		7.49 years
Weighted-average discount rate:		
Operating leases		3.21%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of June 30, 2023:

Year Ending June 30,		Operating Leases
2024	$	59,814
2025		59,814
2026		60,311
2027		61,006
2028		55,006
Thereafter		120,923
Total lease payments		416,874
Less imputed interest		(48,713)
Total present value of lease liabilities	$	368,161

Future minimum lease commitments, as determined under Topic 840, *Leases* for all non-cancelable leases are as follows as of June 30, 2022:

Fiscal Year Ending		Amount
2023	$	78,938
2024		46,399
2025		46,399
2026		47,614
2027		48,891

Total rent expense for the year ended June 30, 2022 was $118,148.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Net Assets with Donor Restriction

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2023	2022
Subject to expenditure for specified purpose:		
Scholarships	$ 148,233	$ 148,233
Capital campaign	725	725
Learning center	24,198	371,975
	173,156	520,933
Subject to the Organization's spending policy and appropriation:		
Original donor-restricted endowment gift amounts required to be maintained by donor		
U. S. Department of the Interior	103,953	103,953
Accumulated investment earnings, which, once appropriated, are expendable to support operations	34,662	27,266
Total	$ 311,771	$ 652,152

10. Endowment

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	$ 268,430	$ 131,219	$ 399,649
Investment return			
Investment income	407	201	608
Net appreciation	14,560	7,195	21,755
Total investment return	14,967	7,396	22,363
Endowment net assets, June 30, 2023	$ 283,397	$ 138,615	$ 422,012

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 299,297	$ 146,474	$ 445,771
Investment return			
Investment income	1,441	712	2,153
Net depreciation	(32,308)	(15,967)	(48,275)
Total investment return	(30,867)	(15,255)	46,122
Endowment net assets, June 30, 2022	$ 268,430	$ 131,219	$ 399,649

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Pension Plan

TOCC participates in the Nation's retirement plan covering all employees. Participants are eligible to make voluntary contributions as of the first of the month following employment are eligible for employer contributions after completing six months of service. Participants can elect to make limited salary deferral contributions and the Organization has the option to make additional discretionary matching contributions to the plan. In addition, the Plan provides for employer basic contributions to be made on behalf of all eligible participants regardless of whether the participant makes voluntary contributions to the Plan. TOCC currently contributes 5% of employees' gross annual pay into the plan. The Organization's contributions under the plan were $276,036 and $266,440 in 2023 and 2022, respectively.

12. Related Party Transactions

The Legislative Council of the Nation has passed a series of resolutions appropriating certain funds to subsidize TOCC's operations through June 2023. The Organization received $5,096,045 and $4,853,376 in appropriations in 2023 and 2022, respectively. Future support under the board resolution for appropriations calls for yearly contributions of $5,096,045.

The Organization incurred and paid costs with related parties as follows:

	2023	2022
Employee related costs and/or motor pool fuel costs with the Nation of which $1,076,051 and $24,760 is included in accounts payable at June 30, 2023 and 2022, respectively.	$ -	$ 697,527
Tohono O'odham Utility Authority (TOAU) of which $33,541 and $36,186 is included in accounts payable at June 30, 2023 and 2022, respectively.	73,956	171,769
Sewer costs with Tohono O'odham Solid Waste Management of which $0 is included in accounts payable at June 30, 2023 and 2022, respectively.	1,530	1,774
	$ 75,486	$ 871,070

13. Commitments and Contingencies

Construction Services Agreement (ESB Design & Build)

The Organization entered into an agreement with a design and build contractor for the construction of a building. The total contract price, as amended, for the construction services is $2,531,355 and is subject to additions and deductions as defined by the agreement. Through June 30, 2023, related contractor fees incurred totaled $625,000 and as of June 30, 2023 are included in construction in progress within capital assets in the accompanying consolidated statements of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (continued)

Contingencies

The Organization participates in a number of federal and state grant programs that are subject to compliance audits. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. A significant reduction in the level of support from these programs could have a material effect on the programs and activities of the Organization. Certain governmental contracts are also subject to termination for convenience clauses. The Organization has received no such termination or audit assessment notices.

14. Concentrations of Credit Risk

Legislative Appropriations and Government Grants

For the years ended June 30, 2023 and 2022, legislative appropriations from the Nation accounted for 28% and 36%, respectively, of the Organization's total revenue and support. In addition, a significant portion of the Organization's total revenue and support is derived from U.S. government and state grants.

The Organization also derives a significant amount of its revenues and support from government grants for various programs. At times, grants for particular programs may constitute a concentration as defined by the accounting standards. As of June 30 2023 and 2022, government grant receivables comprised 93% and 81% of total receivables, respectively. For the years ended June 30, 2023 and 2022, government grants revenue accounted for approximately 61% and 56%, of total revenue and support.

Cash Deposits at Banks

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to $250,000. As of June 30, 2023 and 2022, the Organization had $13,842,543 and $13,880,269 in excess of FDIC insured limits, respectively.

Investments

Investments held by other institutions are insured up to $500,000, including up to $250,000 for cash balances per institution, by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2023 and 2022, the Organization had $1,297,124 and $1,252,710, respectively, in excess of SIPC insured limits.

15. *Subsequent Events*

The Organization evaluated subsequent events through March 25, 2024, which represents the date the consolidated financial statements were available to be issued and concluded that no additional disclosures are required.