
Northwestern Michigan College Foundation

Financial Report
June 30, 2022

Board of Directors and Administrative Officials

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Northwestern Michigan College Foundation

2022 NMC FOUNDATION BOARD OF DIRECTORS as of June 1, 2022

Jayne Mohr, *Chair*
Steve Fisher, *First Vice-Chair*
Nick Nissley, *Second Vice-Chair*
Debbie Edson, *Secretary*
Dave Shooltz, *Treasurer*
Jennifer Hricik, *Interim Executive Director*

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Cheryl M. Bloomquist
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Staff Representative

Linda Berlin

Student Representative

Landon DeHeer
Amber Marsh

Independent Auditor's Report

To the Board of Directors
Northwestern Michigan College Foundation

Qualified Opinion

We have audited the financial statements of Northwestern Michigan College Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2022 and 2021 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The Foundation's financial statements do not follow the applicable financial reporting framework, as disclosed in Note 2. When an organization meets the definition for a governmental entity, as defined in the AICPA Audit and Accounting Guide for State and Local Governments, the appropriate generally accepted accounting principles (GAAP) for the financial statements of the organization are promulgated by the Governmental Accounting Standards Board (GASB). The Foundation meets the definition of a governmental entity but is following GAAP, promulgated by the Financial Accounting Standards Board (FASB). The impact of this departure would affect the financial statement presentation and require a management's discussion and analysis, classified statement of net position, and additional disclosures related to certain deposits and investments, and it would reduce equity and increase deferred inflows by approximately \$90,000.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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 qualified audit opinion.

Report on Prior Year Financial Statements

In our report dated October 11, 2021, we expressed an opinion that the June 30, 2021 financial statements did fairly present the financial position, results of operations, and cash flows of the Foundation in accordance with accounting principles generally accepted in the United States of America. As described in the *Basis for Qualified Opinion* paragraph above, the Foundation is not following the applicable financial reporting framework. Accordingly, our present opinion on the June 30, 2021 financial statements, as presented herein, is different from that expressed in our previous report.

Responsibilities of Management for the Financial Statements

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

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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

To the Board of Directors
Northwestern Michigan College Foundation

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 audits conducted in accordance with GAAS 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Plante & Moran, PLLC

October 12, 2022

Northwestern Michigan College Foundation

Statement of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,950,728	\$ 7,468,832
Investments (Note 4)	47,175,891	52,589,579
Receivables - Net of allowances (Note 3)	3,072,640	3,517,372
Cash surrender value of life insurance	577,710	532,949
Prepaid expenses and other assets	-	6,106
	<u> </u>	<u> </u>
Total assets	<u>\$ 57,776,969</u>	<u>\$ 64,114,838</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 37,563	\$ 24,662
Payable to Northwestern Michigan College (Note 5)	3,187,979	2,772,812
Split-interest agreements payable	38,855	74,082
Deferred revenue	2,256	100,514
	<u> </u>	<u> </u>
Total liabilities	3,266,653	2,972,070
Net Assets		
Without donor restrictions (Note 7)	4,318,130	5,471,633
With donor restrictions (Note 7)	50,192,186	55,671,135
	<u> </u>	<u> </u>
Total net assets	54,510,316	61,142,768
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 57,776,969</u>	<u>\$ 64,114,838</u>

Northwestern Michigan College Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions of cash and financial assets	\$ 304,659	\$ 2,813,016	\$ 3,117,675	\$ 933,004	\$ 4,274,839	\$ 5,207,843
Contributions of nonfinancial assets	394,820	226,168	620,988	473,572	39,176	512,748
Special event revenue - Net	-	293,305	293,305	-	309,228	309,228
Net realized and unrealized (loss) gain on investments	(822,992)	(5,914,386)	(6,737,378)	1,269,092	9,723,673	10,992,765
Investment income	128,336	1,015,876	1,144,212	89,914	836,210	926,124
Change in value of split-interest agreements	-	34,001	34,001	-	38,577	38,577
Net assets released from restrictions	3,802,853	(3,802,853)	-	2,964,957	(2,964,957)	-
Total revenue, gains (losses), and other support	3,807,676	(5,334,873)	(1,527,197)	5,730,539	12,256,746	17,987,285
Expenses						
Program services	3,982,552	-	3,982,552	3,361,851	-	3,361,851
Support services:						
Management and general	55,511	-	55,511	40,764	-	40,764
Fundraising	1,067,192	-	1,067,192	1,205,588	-	1,205,588
Total support services	1,122,703	-	1,122,703	1,246,352	-	1,246,352
Total expenses	5,105,255	-	5,105,255	4,608,203	-	4,608,203
(Decrease) Increase in Net Assets - Before transfers	(1,297,579)	(5,334,873)	(6,632,452)	1,122,336	12,256,746	13,379,082
Transfers	144,076	(144,076)	-	54,389	(54,389)	-
(Decrease) Increase in Net Assets	(1,153,503)	(5,478,949)	(6,632,452)	1,176,725	12,202,357	13,379,082
Net Assets - Beginning of year	5,471,633	55,671,135	61,142,768	4,294,908	43,468,778	47,763,686
Net Assets - End of year	<u>\$ 4,318,130</u>	<u>\$ 50,192,186</u>	<u>\$ 54,510,316</u>	<u>\$ 5,471,633</u>	<u>\$ 55,671,135</u>	<u>\$ 61,142,768</u>

See notes to financial statements.

Northwestern Michigan College Foundation

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	\$ (6,632,452)	\$ 13,379,082
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Bad debt expense	3,655	49,245
Change in value of split-interest agreements	(31,647)	6,979
Change in cash surrender value of life insurance	(44,761)	(46,942)
Net realized and unrealized loss (gain) on investments	6,737,378	(10,992,765)
Contributions restricted for long term-investment	(1,073,801)	(1,826,597)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Receivables	441,077	(1,033,611)
Prepaid expenses and other assets	6,106	13,804
Accounts payable	12,901	9,985
Payable to Northwestern Michigan College	415,167	583,268
Deferred revenue	(98,258)	8,638
Net cash and cash equivalents (used in) provided by operating activities	(264,635)	151,086
Cash Flows from Investing Activities		
Proceeds from sales of investments	5,482,437	8,947,552
Purchase of investments	(6,806,127)	(9,492,785)
Net cash and cash equivalents used in investing activities	(1,323,690)	(545,233)
Cash Flows from Financing Activities		
Cash contributions for endowments	1,073,801	1,826,597
Payments to split-interest beneficiaries	(3,580)	(9,580)
Net cash and cash equivalents provided by financing activities	1,070,221	1,817,017
Net (Decrease) Increase in Cash and Cash Equivalents	(518,104)	1,422,870
Cash and Cash Equivalents - Beginning of year	7,468,832	6,045,962
Cash and Cash Equivalents - End of year	\$ 6,950,728	\$ 7,468,832

June 30, 2022 and 2021

Note 1 - Nature of Business

Northwestern Michigan College Foundation (the "Foundation") was incorporated on July 8, 1981. The Foundation was organized to provide support exclusively for the objectives and purposes of Northwestern Michigan College (the "College") and to augment the facilities of the College in such a manner as may be designated by its board of directors, whose members are appointed by the College's board of trustees, creating a voting majority. The Foundation is a discretely presented component unit of the College. All distributions made out of the Foundation, other than normal operating expenses, are to be made to or for the benefit of the College. Upon dissolution of the Foundation, its remaining assets will be distributed to the College.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of the Foundation have been prepared on the basis of generally accepted accounting principles (GAAP) following the framework for not-for-profit entities under principles of the Financial Accounting Standards Board (FASB). However, when an organization meets the definition of a governmental entity, the appropriate GAAP for the financial statements is promulgated by the Governmental Accounting Standards Board (GASB). The definition of a governmental entity is when an organization has one or more of the following characteristics: (i) popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments; (ii) the potential for unilateral dissolution by a government, with the net assets reverting to a government; or (iii) the power to enact and enforce a tax levy. The Foundation meets criteria (i) and (ii) and, therefore, should be reporting under the GASB framework.

Classification of Net Assets

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. 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, where the donor has stipulated the funds be maintained in perpetuity.

The Foundation has interpreted donor restrictions to also include related earnings as restricted for the intended purpose of the original donation.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future and in-kind contributions, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Note 2 - Significant Accounting Policies (Continued)

The Be What's Possible campaign, which began in fiscal year 2016, ended during the 2021 fiscal year. Contributions totaling approximately \$5.7 million were received as part of this campaign during the 2021 fiscal year.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Donated items received by the Foundation (also known as gifts in kind) consist primarily of items donated for use in the College's programs, artwork for the Denmos Museum, and items to be used in special event fundraisers run by the Foundation. The gifts are recorded as contributions of nonfinancial assets with donor restrictions and recorded at their estimated fair values at time of gift. At the time the gift is used, it is released from donor restrictions.

Cash and Cash Equivalents

The Foundation considers all investments with an original maturity of three months or less when purchased to be cash equivalents.

Investment Valuation and Income Recognition

Investments held by the Foundation are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for further discussion of fair value measurements.

Investment income or loss and unrealized gains and losses are included in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless income or loss is restricted by donor or law. Realized gains or losses on investments sold are determined using the specific identification method. Included in investment income is commission and administrative fees related to investment management totaling approximately \$100,000 for the years ended June 30, 2022 and 2021.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

Deferred Revenue

Deferred revenue consists of advance receipts for the Foundation's annual fundraiser in August.

Functional Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs are reported between the various program and support services on a direct basis.

Net Asset Transfers

During the years ended June 30, 2022 and 2021, net assets were transferred between net assets with donor restrictions and net assets without donor restrictions as the result of further analysis of documents and donor classifications on contributions received by the Foundation in prior and current years.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

The Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Use of Estimates

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

Adoption of New Accounting Pronouncement

As of July 1, 2021, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are now reported by category within the financial statements, and there are additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The Foundation's financial statements were not impacted by this pronouncement other than to change in-kind donations to contributions of nonfinancial assets.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 12, 2022, which is the date the financial statements were available to be issued.

Note 3 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign. They are included as follows:

	2022	2021
Gross promises to give before unamortized discount	\$ 3,302,100	\$ 3,764,252
Less allowance for uncollectible contributions	(25,000)	(25,000)
Less allowance for net present value discount	(204,460)	(221,880)
Net contributions receivable	\$ 3,072,640	\$ 3,517,372
Amounts due in:		
Less than one year	\$ 820,767	\$ 1,163,712
One to five years	2,251,873	2,353,660
Total	\$ 3,072,640	\$ 3,517,372

Note 4 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Note 4 - Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

The following tables present information about the Foundation’s assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by the Foundation to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2022
Assets			
Mutual funds:			
Domestic equity	\$ 30,746,271	\$ -	\$ 30,746,271
Fixed income	3,457,145	-	3,457,145
Total mutual funds	34,203,416	-	34,203,416
Fixed income:			
U.S. Treasury securities	922,836	-	922,836
Corporate bonds	-	6,338,769	6,338,769
Total fixed income	922,836	6,338,769	7,261,605
Total	\$ 35,126,252	\$ 6,338,769	41,465,021
Investments measured at net asset value:			
Private equity			3,718,951
Real estate			967,195
Multistrategy			1,024,724
Total investments measured at NAV			5,710,870
Total assets			\$ 47,175,891

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance at June 30, 2021
Assets			
Mutual funds:			
Domestic equity	\$ 36,842,532	\$ -	\$ 36,842,532
International equity	3,881,522	-	3,881,522
Money market mutual funds	188,340	-	188,340
Total mutual funds	40,912,394	-	40,912,394
Fixed income:			
U.S. Treasury securities	3,792,717	-	3,792,717
Corporate bonds	-	3,486,082	3,486,082
Total fixed income	3,792,717	3,486,082	7,278,799
Total assets	\$ 44,705,111	\$ 3,486,082	48,191,193
Investments measured at NAV			
Private equity			2,569,851
Real estate			771,468
Multistrategy			1,057,247
Total investments measured at NAV			4,398,566
Total assets			\$ 52,589,759

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

	June 30, 2022	June 30, 2021		June 30, 2022	
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds	\$ 3,718,951	\$ 2,569,851	\$ 649,954	Monthly or Quarterly	Quarterly
Real estate fund	967,195	771,468	-	Monthly	Monthly
Multistrategy hedge fund	1,024,724	1,057,247	-	Monthly	Semi-annual
Total	\$ 5,710,870	\$ 4,398,566	\$ 649,954		

The multistrategy funds class invests in funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The real estate fund invests directly into a diverse portfolio of private real estate. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

Note 4 - Fair Value Measurements (Continued)

The private equity funds class includes several private equity funds that invest in a diverse portfolio of companies. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

Note 5 - Related Party Transactions

Northwestern Michigan College is a public higher education institution offering a broad array of programs. During the years ended June 30, 2022 and 2021, the Foundation made payments to the College in the amount of \$4,336,755 and \$5,323,289, respectively, primarily for scholarships, foundation expenses, and college programs. Amounts payable to the College were \$3,187,979 and \$2,772,812 at June 30, 2022 and 2021, respectively. The College also provides personnel services to the Foundation. These personnel services are measured by the Foundation at the cost recognized by the College for the personnel providing those services. Amounts totaling \$394,820 and \$473,572 for such services for supervisory and clerical staff provided by the College to the Foundation are included in contributions of nonfinancial assets without donor restrictions for 2022 and 2021, respectively, of which \$43,354 and \$25,850 is included in management and general expenses for 2022 and 2021, respectively, while \$351,466 and \$447,722 is included in fundraising expenses for 2022 and 2021, respectively.

Note 6 - Split-interest Agreements

The Foundation is party to split-interest agreements with certain donors. Under the agreements, the donor contributed funds to the Foundation. Investments related to these gift annuities were \$55,413 and \$168,646 at June 30, 2022 and 2021, respectively. As a condition of accepting the gift, the Foundation is required to pay a specified amount each year to the donors or a designated beneficiary until his or her death. Payments to beneficiaries were \$3,580 and \$9,580 in 2022 and 2021, respectively. Upon the death of the beneficiaries, the remaining funds become the property of the Foundation. Obligations under the split-interest agreements represent the present value of future payments required to be paid to beneficiaries under the agreements. The present value is computed based on the normal life expectancy of the beneficiaries using discount rates ranging from 1.8 percent to 7.0 percent.

Note 7 - Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2022	2021
Board-designated net assets	\$ 1,483,484	\$ 1,503,480
Undesignated net assets	2,834,646	3,968,153
Total net assets without donor restrictions	\$ 4,318,130	\$ 5,471,633

June 30, 2022 and 2021

Note 7 - Net Assets (Continued)

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2022	2021
Subject to expenditures for a specified purpose or the passage of time:		
University Center	\$ 1,815,969	\$ 2,117,453
Programs and scholarships	24,498,414	28,877,869
Dennos Museum	6,351,864	8,264,830
Great Lakes Campus	-	1,035
	32,666,247	39,261,187
Not subject to appropriation or expenditure:		
Endowment - Programs and scholarships	13,271,877	12,173,825
Endowment - Dennos Museum Center	4,254,062	4,236,123
	17,525,939	16,409,948
Total net assets with donor restrictions	\$ 50,192,186	\$ 55,671,135

Note 8 - Donor-restricted and Board-designated Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation 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 Foundation
- The investment policies of the Foundation

June 30, 2022 and 2021

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,483,484	\$ -	\$ 1,483,484
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	17,525,939	17,525,939
Accumulated investment gains	-	8,350,246	8,350,246
Total	\$ 1,483,484	\$ 25,876,185	\$ 27,359,669
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 1,503,480	\$ 28,509,484	\$ 30,012,964
Investment return:			
Investment income	3,324	671,097	674,421
Net depreciation (realized and unrealized)	(18,031)	(3,662,900)	(3,680,931)
Total investment return	(14,707)	(2,991,803)	(3,006,510)
Contributions	-	1,073,801	1,073,801
Appropriation of endowment assets for expenditure	(217)	(771,579)	(771,796)
Other changes - Transfers	(5,072)	56,282	51,210
Endowment net assets - End of year	\$ 1,483,484	\$ 25,876,185	\$ 27,359,669
	Endowment Net Asset Composition by Type of Fund as of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,503,480	\$ -	\$ 1,503,480
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	16,409,948	16,409,948
Accumulated investment gains	-	12,099,536	12,099,536
Total	\$ 1,503,480	\$ 28,509,484	\$ 30,012,964

June 30, 2022 and 2021

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 1,250,411	\$ 21,045,227	\$ 22,295,638
Investment return:			
Investment income	2,881	543,554	546,435
Net appreciation (realized and unrealized)	30,735	5,828,506	5,859,241
Total investment return	33,616	6,372,060	6,405,676
Contributions	224,067	1,826,597	2,050,664
Appropriation of endowment assets for expenditure	(4,614)	(675,310)	(679,924)
Other changes - Transfers	-	(59,090)	(59,090)
Endowment net assets - End of year	<u>\$ 1,503,480</u>	<u>\$ 28,509,484</u>	<u>\$ 30,012,964</u>

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 16 and 2 donor-restricted endowment funds as of June 30, 2022 and 2021, respectively, which together have an original gift value of \$1,124,320 and \$35,477, a current fair value of \$950,098 and \$8,735, and a deficiency of \$115,582 and \$26,742 as of June 30, 2022 and 2021, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of directors.

Return Objectives and Risk Parameters

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent, net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark, as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

June 30, 2022 and 2021

Note 8 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

In the absence of unique or special circumstances and subject to the determination of the Foundation's finance and audit committee, distributions from donor-restricted funds held in perpetuity or any funds treated as donor-restricted funds held in perpetuity (DRFHP) will be determined according to the following formula and will occur on a monthly or quarterly basis:

70% (up to 5% of the five-year moving average market value of DRFHP as of prior fiscal year end)
 + 30% (prior year spending level) (prior year CPI + 1%)
 = Annual target spending

Additionally, the treatment and accounting of gifts with donor restrictions versus gifts without donor restrictions to the Foundation will be managed by college staff. The Foundation's board of directors will periodically review and approve policies and procedures governing gifts to the Foundation.

The Foundation has a spending policy of appropriating for distribution each year 4.5 percent for the fiscal years ended June 30, 2022 and 2021.

Note 9 - Liquidity and Availability of Resources

The following reflects the Foundation's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2022	2021
Cash and cash equivalents	\$ 6,950,728	\$ 7,468,832
Receivables	3,072,640	3,517,372
Investments	47,175,891	52,589,579
Financial assets - At year end	57,199,259	63,575,783
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	24,570,151	27,161,647
Subject to appropriation and satisfaction of donor restrictions	25,876,185	28,509,484
Board designations	1,483,484	1,503,480
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,269,439	\$ 6,401,172

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors.

The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which, on average, can range from approximately \$600,000 to \$1,000,000 at June 30, 2022 and 2021. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in various short-term investments, including short-term treasury instruments.

The Foundation also realizes there could be unanticipated liquidity needs.

June 30, 2022 and 2021

Note 9 - Liquidity and Availability of Resources (Continued)

The Foundation's endowment funds consist of donor-restricted endowments and a quasi endowment of \$27,359,669 and \$30,012,964 at June 30, 2022 and 2021, respectively. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 8, the quasi endowment has a spending rate of 4.5 percent at June 30, 2022 and 2021. Appropriations from the quasi endowment totaling approximately \$67,000 will be available within the next 12 months. Although the Foundation does not intend to spend from its quasi endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi endowment could be made available if necessary.

Note 10 - Functional Expenses

The Foundation's expenses by nature and function are as follows for the year ended June 30, 2022:

	Program Services	Support Services - Management and General	Support Services - Fundraising	Total
Grants to the College	\$ 3,756,384	\$ -	\$ -	\$ 3,756,384
Gifts in kind	226,168	-	-	226,168
Salaries, benefits, and taxes	-	43,354	1,030,128	1,073,482
Consulting	-	10,350	-	10,350
Professional development	-	621	-	621
Insurance premiums	-	-	33,409	33,409
Bad debt expense	-	-	3,655	3,655
Other	-	1,186	-	1,186
Total	\$ 3,982,552	\$ 55,511	\$ 1,067,192	\$ 5,105,255

The Foundation's expenses by nature and function are as follows for the year ended June 30, 2021:

	Program Services	Support Services - Management and General	Support Services - Fundraising	Total
Grants to the College	\$ 3,322,675	\$ -	\$ -	\$ 3,322,675
Gifts in kind	39,176	-	-	39,176
Direct special events	-	-	55,578	55,578
Advertising	-	-	13,405	13,405
Salaries, benefits, and taxes	-	25,850	1,016,177	1,042,027
Consulting	-	14,734	11,522	26,256
Supplies	-	-	14,245	14,245
Professional development	-	86	-	86
Insurance premiums	-	-	45,416	45,416
Bad debt expense	-	-	49,245	49,245
Other	-	94	-	94
Total	\$ 3,361,851	\$ 40,764	\$ 1,205,588	\$ 4,608,203