

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
The Foundation at  
Monroe County Community College

We have audited the financial statements of The Foundation at Monroe County Community College (the "Foundation") for the years ended June 30, 2021 and 2020, and have issued our report thereon dated September 3, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2021. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. The Foundation adopted Accounting Standards Update No. 2014-9, "Revenue from Contracts with Customers" (Topic 606) and ASU No. 2018-13, "Fair Value Measurement" (Topic 820): Disclosure Framework-Changes to Disclosure Requirements for Fair Value Measurement during the year ending June 30, 2021. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of internally classified net assets is based on investment income (including realized and unrealized gains and losses) allocated relative to the respective quarterly balances of the endowed and non-endowed funds. We evaluated the key factors and assumptions used to develop the estimate of internally classified net assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible promises to give is based on historical IRS discount rates and an analysis of the collectability of individual promises. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Directors  
The Foundation at  
Monroe County Community College

-2-

Management's estimate of revenue recognition and the value placed on contributions receivable, in a future year, without a fixed pledge value at current year end. Management has calculated and recorded what they feel to be reasonably probable of collecting. The methods and calculation used are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not have any adjustments to the financial statements.

#### *Disagreements with Management*

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 3, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accounting to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors  
The Foundation at  
Monroe County Community College

-3-

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the Board of Directors of The Foundation of Monroe County Community College and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Cooley H. Sobor & Callkins, PLLC". The signature is written in dark ink and is positioned below the "Very truly yours," text.

September 3, 2021

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
The Foundation at  
Monroe County Community College

In planning and performing our audit of the financial statements of The Foundation at Monroe County Community College for the years ended June 30, 2021 and 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purposes described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

This communication is intended solely for the information and use of the Board of Directors and management of The Foundation at Monroe County Community College and is not intended to be and should not be used by anyone other than these specific parties.

Very Truly Yours,



September 3, 2021

THE FOUNDATION  
at MONROE COUNTY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

June 30, 2021 and 2020

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## ANNUAL FINANCIAL REPORT TABLE OF CONTENTS

|  |      |
|--|------|
| Board of Directors.....                | 1    |
| Independent Auditor's Report .....     | 2-3  |
| Statements of Financial Position ..... | 4    |
| Statements of Activities.....          | 5-6  |
| Statements of Cash Flows.....          | 7    |
| Notes to Financial Statements .....    | 8-17 |

# THE FOUNDATION

at MONROE COUNTY COMMUNITY COLLEGE

## **Board of Directors** **(as of June 30, 2021)**

Victor Bellestri, *Board Chair*  
Dr. Ronald Campbell, *First Vice-Chair*  
Dr. Kojo Quartey, *Second Vice-Chair*  
Marjorie McIntyre Evans, *Secretary*  
William J. Bacarella, *Treasurer*  
Joshua Myers, *Executive Director*

Wendy Abbott  
Alan G. Barron  
William H. Braunlich  
William T. Bruck  
H. Douglas Chaffin  
Ignazio Cuccia  
Renee M. Darrow  
Jean Guyor  
Erika Hunt  
Annette Johnson  
Marjorie A. Kreps  
Irma "Mima" Kubiske  
Krista K. Lambrix  
Carol Lenox-Carlton  
Molly A. Luempert-Coy  
Aaron Mason  
Keith P. Masserant  
Michael R. Meyer  
Susan R. S. Miller  
James Petrangelo  
Richard A. Sieb  
Robin West Smith  
Rosemarie Walker  
Suzanne M. Wetzell

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

Members of the Board  
The Foundation at Monroe County  
Community College  
Monroe, Michigan

### Opinion

We have audited the accompanying statements of The Foundation at Monroe County Community College (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation at Monroe County Community College as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 available to be issued.



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.



September 3, 2021

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

|   | <u>2021</u>                | <u>2020</u>               |
|---|----------------------------|---------------------------|
| <b>ASSETS</b>   |                            |                           |
| Cash and cash equivalents                                 | \$999,462                  | \$1,009,070               |
| Unconditional promises to give (Note 5):                  |                            |                           |
| Restricted for scholarships                               | 0                          | 1,276                     |
| Restricted other (net of allowance \$2,700 and \$4,650)   | <u>113,415</u>             | <u>115,930</u>            |
| Total unconditional promises to give                      | <u>113,415</u>             | <u>117,206</u>            |
| Total Current Assets                                      | 1,112,877                  | 1,126,276                 |
| Brokeraged investments, at market value (Note 7):         |                            |                           |
| Endowment investments                                     | 5,939,544                  | 4,603,538                 |
| Endowment investments Cultural                            | <u>2,933,087</u>           | <u>2,227,462</u>          |
| Total brokeraged investments, at market value             | <u>8,872,631</u>           | <u>6,831,000</u>          |
| Long-term unconditional promises to give (Note 5):        |                            |                           |
| Restricted other (net of allowance \$19,750 and \$22,500) | <u>705,740</u>             | <u>785,730</u>            |
| Total Assets  | <u><u>\$10,691,248</u></u> | <u><u>\$8,743,006</u></u> |
| <b>LIABILITIES</b>  |                            |                           |
| Accounts payable  | \$17,738                   | \$100,467                 |
| Deferred revenue  | <u>5,000</u>               | <u>5,000</u>              |
| Total Current Liabilities                                 | 22,738                     | 105,467                   |
| <b>NET ASSETS</b>   |                            |                           |
| Net Assets, without restrictions                          | 397,442                    | 71,337                    |
| Net Assets, with restrictions (Note 8)                    | <u>10,271,068</u>          | <u>8,566,202</u>          |
| Total Net Assets  | <u>10,668,510</u>          | <u>8,637,539</u>          |
| Total Liabilities and Net Assets                          | <u><u>\$10,691,248</u></u> | <u><u>\$8,743,006</u></u> |

(See accompanying notes to financial statements)

**THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE**

**STATEMENTS OF ACTIVITIES**

June 30, 2021 and 2020

|   | 2021                            |                              |                            |
|---|---------------------------------|------------------------------|----------------------------|
|   | <u>Without<br/>Restrictions</u> | <u>With<br/>Restrictions</u> | <u>Total</u>               |
| <b>REVENUES, GAINS, AND OTHER SUPPORT:</b>  |                                 |                              |                            |
| Contributions                               | \$318,524                       | \$413,289                    | \$731,813                  |
| Contributions - In kind                     | 0                               | 15,000                       | 15,000                     |
| Corporate grants                            | 0                               | 100,000                      | 100,000                    |
| Special events                              | 0                               | 15,000                       | 15,000                     |
| Donated administrative support (Note 11)    | 307,384                         | 0                            | 307,384                    |
| Net investment income                       | 18,230                          | 1,745,575                    | 1,763,805                  |
| Net assets released from restrictions:      |                                 |                              |                            |
| Satisfaction of donor restrictions (Note 6) | <u>583,998</u>                  | <u>(583,998)</u>             | <u>0</u>                   |
| Total Revenues, Gains, and Other Support    | <u>1,228,136</u>                | <u>1,704,866</u>             | <u>2,933,002</u>           |
| <b>EXPENSES:</b>                            |                                 |                              |                            |
| Scholarships                                | 215,498                         | 0                            | 215,498                    |
| Grants                                      | 377,570                         | 0                            | 377,570                    |
| Fundraising                                 | 0                               | 0                            | 0                          |
| Donated administrative expenses (Note 11)   | 307,384                         | 0                            | 307,384                    |
| Other                                       | <u>1,579</u>                    | <u>0</u>                     | <u>1,579</u>               |
| Total Expenses                              | <u>902,031</u>                  | <u>0</u>                     | <u>902,031</u>             |
| Changes in Net Assets                       | 326,105                         | 1,704,866                    | 2,030,971                  |
| Net Assets at Beginning of Year             | <u>71,337</u>                   | <u>8,566,202</u>             | <u>8,637,539</u>           |
| Net Assets at End of Year                   | <u><u>\$397,442</u></u>         | <u><u>\$10,271,068</u></u>   | <u><u>\$10,668,510</u></u> |

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## STATEMENTS OF ACTIVITIES

June 30, 2021 and 2020

|   | 2020                    |                      |             |
|---|-------------------------|----------------------|-------------|
|   | Without<br>Restrictions | With<br>Restrictions | Total       |
| <b>REVENUES, GAINS, AND OTHER SUPPORT:</b>  |                         |                      |             |
| Contributions                               | \$25,399                | \$1,551,563          | \$1,576,962 |
| Contributions - In kind                     | 0                       | 28,500               | 28,500      |
| Corporate grants                            | 0                       | 0                    | 0           |
| Special events                              | 0                       | 28,850               | 28,850      |
| Donated administrative support (Note 11)    | 294,569                 | 0                    | 294,569     |
| Net investment income                       | 3,272                   | 344,934              | 348,206     |
| Net assets released from restrictions:      |                         |                      |             |
| Satisfaction of donor restrictions (Note 6) | 492,194                 | (492,194)            | 0           |
| Total Revenues, Gains, and Other Support    | 815,434                 | 1,461,653            | 2,277,087   |
| <b>EXPENSES:</b>                            |                         |                      |             |
| Scholarships                                | 240,364                 | 0                    | 240,364     |
| Grants                                      | 273,382                 | 0                    | 273,382     |
| Fundraising                                 | 0                       | 2,386                | 2,386       |
| Donated administrative expenses (Note 11)   | 294,569                 | 0                    | 294,569     |
| Other                                       | 1,547                   | 0                    | 1,547       |
| Total Expenses                              | 809,862                 | 2,386                | 812,248     |
| Changes in Net Assets                       | 5,572                   | 1,459,267            | 1,464,839   |
| Net Assets at Beginning of Year             | 65,765                  | 7,106,935            | 7,172,700   |
| Net Assets at End of Year                   | \$71,337                | \$8,566,202          | \$8,637,539 |

**THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE**

**STATEMENTS OF CASH FLOWS**

June 30, 2021 and 2020

|   | <u>2021</u>             | <u>2020</u>               |
|---|-------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                         |                           |
| Change in net assets  | \$2,030,971             | \$1,464,839               |
| Adjustments to reconcile change in net assets to cash used by operating activities: |                         |                           |
| (Increase) decrease in unconditional promises to give                               |                         |                           |
| Restricted for scholarships   | 1,276                   | 1,169                     |
| Restricted other  | 82,505                  | (834,230)                 |
| Increase (decrease) in accounts payable   | (82,729)                | 54,770                    |
| Increase (decrease) in deferred revenue   | 0                       | 4,000                     |
| Net realized and unrealized loss (gain) included in investment income               | (1,530,976)             | (231,530)                 |
| Non-cash contributions - marketable securities                                      | <u>(11,577)</u>         | <u>(5,786)</u>            |
| Net Cash Used by Operating Activities   | 489,470                 | 453,232                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                         |                           |
| Proceeds from sale of investments   | 762,783                 | 2,617,150                 |
| Purchases of investments  | <u>(1,261,861)</u>      | <u>(2,914,926)</u>        |
| Net Cash Used by Investing Activities   | <u>(499,078)</u>        | <u>(297,776)</u>          |
| Net Increase (Decrease) in Cash and Cash Equivalents                                | (9,608)                 | 155,456                   |
| Cash and Cash Equivalents at Beginning of Year                                      | <u>1,009,070</u>        | <u>853,614</u>            |
| Cash and Cash Equivalents at End of Year  | <u><u>\$999,462</u></u> | <u><u>\$1,009,070</u></u> |

**Supplemental Data:**

There were no payments made for interest or income tax expenses.

(See accompanying notes to financial statements)

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 1

#### Nature of Operations

The Foundation at Monroe County Community College (the "Foundation") is a non-profit corporation incorporated under the laws of the State of Michigan in 1998 and a component unit of Monroe County Community College (the "College"). The purpose of the Foundation shall be to enhance the educational opportunities and environment at the College through the encouragement of gifts and contributions to the Foundation as a means of directly supporting the College. The Foundation receives funds from various outside sources, board members, the College and employees of the College. The Foundation's board members are appointed by the College's board.

### Note 2

#### Summary of Significant Accounting Policies

##### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, money market accounts, and any certificates of deposit with an original maturity of three months or less, except that such investments purchased with endowment assets are classified as investments.

##### Promises to Give

Unconditional promises to give are reported at the net realizable value by establishing an allowance for uncollectible promises. The allowance is recorded as a reduction of the related contribution revenue, and is based on prior years' experience and management's analysis of specific promises made. Unconditional promises to give over a period of time in excess of one year, which result in future cash flows, are discounted to present value using a discount rate. Subsequent accruals of the "interest" element are recorded as contribution revenue.

##### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized gains and losses and any changes in market value during the year (unrealized gains and losses) are included in investment income.

Endowment investments are those investments that hold the funds in which donors have restricted the use of principal.

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 2      Summary of Significant Accounting Policies (continued)

#### Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Foundation determines fair values by applying the following guidelines. If available, the Foundation uses market prices in active markets for identical assets and classifies these assets as Level 1. When the market prices for similar financial instruments in an active market are not available, the Foundation estimates fair value based on pricing models using matrix pricing and classifies these assets as Level 2. In situations where there is little or no market activity for the same or similar financial instruments, the Foundation estimates fair value using its own assumptions about future cash flows and appropriate risk-adjusted discount rates and classifies these assets as Level 3. As of June 30, 2021, and 2020, the Foundation's investment holdings were all Level 1 assets. The Foundation did not have any Level 2 or Level 3 assets during the reported years.

#### Revenue Recognition

The Foundation records revenue when: (i) an agreement with a donor has been identified, (ii) the performance obligations in the agreement have been identified, (iii) the amount of the contribution(s) have been determined, and (iv) the amount of the contributions have been acknowledged by the grantor in the agreements, when assets are received.

Contributions are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and or nature of all contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a donor restriction expires or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions – donor purpose. All contributions are recorded at fair market value when received.

#### Donated Administrative Support

The Foundation receives administrative support from the College. The direct support consists primarily of administrative and clerical personnel services, office supplies and use of equipment paid directly by the College.

The College also donates the use of office facilities and indirect support activities to the Foundation; however, because of the difficulty in assigning values for these items, a value has not been estimated.

#### Tax Status

The Foundation is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code, except for income derived from unrelated business activities. Management of the Foundation believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

The Foundation is no longer subject to examination of its Federal Return of Organization exempt from Income Tax (Form 990) filed for the years before June 30, 2017.

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 2      Summary of Significant Accounting Policies (concluded)

#### Use of Estimates

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

### Note 3      Liquidity and Availability of Resources

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. As part of the Foundation's liquidity management, its investment policy is to structure its financial assets to be available as its obligations come due. The Foundation considers its annual scholarship obligations, as prescribed by each donor-endowed fund, as a general use obligation. As stated in Note 6, the Foundation's policy of appropriating funds for distribution uses an amount equal to 4 percent of the three-year rolling average of each endowment. Over the past four years the funds required to meet the endowment distribution policy and the annual scholarships awards have ranged from \$141,297 to \$240,364.

In addition to the scholarship obligation, restricted contributions are made with specific grant related obligations which support the College's general academic divisions and or it's buildings and grounds. Distributions made to the College are typically done upon the performance of a specific purpose or event and vary on an annual basis. Over the past four years, the funds required to meet the grant obligations have ranged from \$273,382 to \$625,588.

The table below presents financial assets available for scholarship and grant obligations within one year:

|  | <u>2021</u>        | <u>2020</u>        |
|--|--------------------|--------------------|
| Financial assets at year end:              |                    |                    |
| Cash and cash equivalents                  | \$999,462          | \$1,009,070        |
| Investment assets                          | <u>8,872,631</u>   | <u>6,831,000</u>   |
| Total financial assets                     | 9,872,093          | 7,840,070          |
| Less: Endowed net assets                   | (5,964,878)        | (4,572,351)        |
| Board designated net assets                | <u>(294,005)</u>   | <u>0</u>           |
| Financial assets available within one year | <u>\$3,613,210</u> | <u>\$3,267,719</u> |

In addition to the available assets, the Foundation is supported by the College, and College's funds are budgeted for administrative support to the Foundation. For fiscal years ending 2021 and 2020 the College's budgeted support was \$322,582 and \$315,449 respectively (unaudited).



# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 4      Credit Risks

The Foundation is subject to concentration of credit risk relating to marketable equity securities and it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that such change could materially affect the amounts recorded in the statements of financial position. Marketable equity securities consist primarily of equity securities, bonds, mutual funds and alternative investments, which could subject the Foundation to losses in the event of a general down turn in the stock market.

At times throughout the year, the Foundation may maintain certain bank accounts in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits. The Foundation has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management believes that it is not exposed to any significant credit risk on cash accounts due to the strength of the financial institution in which the funds are held. In addition, the amounts over federally insured limit are covered by First Merchants Bank through a bond program, where the bank holds municipal bonds which are used to collateralize the funds held in the sweep accounts for not-for-profit entities.

As of June 30, 2021 and 2020, three donors accounted for 99% of the total asset "Unconditional Promises to Give" (pre-discounts and allowances).

At the year end, fifteen donors accounted for 84% and 87% of the total Contributions, respectively for 2021 and 2020.

### Note 5      Promises to Give

Unconditional promises to give at June 30, 2021 and 2020 are as follows:

|   | <u>2021</u>      | <u>2020</u>      | <u>2019</u>     |
|---|------------------|------------------|-----------------|
| Receivable in Less than One Year              | \$67,055         | \$120,886        | \$20,075        |
| Receivable in One to Five Years               | 400,000          | 450,000          | 50,000          |
| Receivable in More than Five Years            | 450,000          | 450,000          | 0               |
| Total Unconditional Promises to Give          | 917,055          | 1,020,886        | 70,075          |
| Less: Discounts to Net Present Value          | (75,500)         | (92,750)         | 0               |
| Less: Allowance for<br>Uncollectible Promises | (22,400)         | (25,200)         | (200)           |
| Totals  | <u>\$819,155</u> | <u>\$902,936</u> | <u>\$69,875</u> |

Discount rates used on long term promises to give are based on market rates in the year of the gift. The rate was 2.5% for fiscal 2021 and 2020.

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 6      Endowment Fund

The endowment funds maintained by the Foundation are held for the purpose of perpetual scholarship funds which permit the use of net investment earnings only and require that the original fund corpus be maintained.

Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Foundation have interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Foundation would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

### 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 for scholarships supported by the endowments, 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(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that approximate the price and yield results of various indexes such as the S&P 500. 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.

The composition of endowment net assets and the changes in endowment net assets as of June 30, 2021 and 2020 are as follows:

|                                 | June 30,           |                    |
|---------------------------------|--------------------|--------------------|
|                                 | 2021               | 2020               |
| Endowment net assets, beginning | \$6,831,000        | \$6,295,908        |
| Contributions collected         | 589,152            | 280,808            |
| Net investment income           | 1,763,805          | 344,934            |
| Distributions                   | (311,326)          | (90,650)           |
| Endowment net assets, ending    | <u>\$8,872,631</u> | <u>\$6,831,000</u> |

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 6

#### Endowment Fund (continued)

##### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year an amount equal to 4 percent of the three-year rolling average of each endowment. The Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The investment earnings on these restricted assets, along with other designated contributions and earnings are classified as net assets with restrictions because the funds are used according to donor-imposed restrictions. Once restrictions are met restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the donors:

|              | June 30,         |                  |
|--------------|------------------|------------------|
|              | 2021             | 2020             |
| Scholarships | \$215,498        | \$240,364        |
| Grants       | 368,500          | 251,830          |
| Totals       | <u>\$583,998</u> | <u>\$492,194</u> |

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 7 Brokeraged Investments and Fair Value Measurements

Level 1 fair value of the Foundation's financial assets that are measured on a recurring basis as of June 30, 2021 and 2020, are as follows:

|                              | 2021        |             | 2020        |             |
|------------------------------|-------------|-------------|-------------|-------------|
|                              | Cost        | Fair Value  | Cost        | Fair Value  |
| Money Market (a)             | \$306,310   | \$306,310   | \$391,319   | \$391,319   |
| Individual Securities: (b)   |             |             |             |             |
| Corporate stocks             | 259,034     | 561,649     | 230,822     | 361,069     |
| Mutual Funds: (c)            |             |             |             |             |
| Equity funds                 | 1,811,701   | 3,151,860   | 1,781,062   | 2,332,473   |
| Fixed income funds           | 1,766,389   | 1,795,896   | 1,673,872   | 1,695,592   |
| Total Mutual Funds           | 3,578,090   | 4,947,756   | 3,454,934   | 4,028,065   |
| Exchange Traded Funds: (d)   |             |             |             |             |
| Equity funds                 | 1,179,862   | 1,993,964   | 1,071,297   | 1,379,140   |
| Fixed income funds           | 742,517     | 769,500     | 460,572     | 488,241     |
| REIT                         | 250,808     | 293,452     | 166,394     | 183,166     |
| Total Exchange Traded Funds  | 2,173,187   | 3,056,916   | 1,698,263   | 2,050,547   |
| Total Brokeraged Investments | \$6,316,621 | \$8,872,631 | \$5,775,338 | \$6,831,000 |

(a) Invested cash and short-term investments are invested in money market funds whose portfolio is composed of highly rated short-term issuance managed with the primary goal of preserving principal while providing minimal yield.

(b) Individual securities are stated at fair value determined primarily from quoted prices in the market in which they are principally traded.

(c) Mutual funds are pools of assets commingled together to benefit from professional management and through economies of scale. Investors own shares of the fund and are provided a net asset value (NAV) per share on a regular basis. Mutual funds are registered with the U.S. Securities and Exchange Commission.

(d) Exchange traded funds are baskets of securities designed to replicate various indices and whose value is determined through daily market action in the shares of the exchange traded fund. Fair market value is determined by obtaining prices from quoted market sources.

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 8 Designations and Restrictions on Net Assets

In fiscal year 2021, the Foundation received an undesignated gift from the Heck estate. The Board of Directors has approved its designation, for a specific use to be determined at a later date, and has classified the funds as quasi-endowment.

Net Assets, without restriction:

|              | June 30,         |                 |
|--------------|------------------|-----------------|
|              | 2021             | 2020            |
| Designated   | \$294,005        | \$0             |
| Undesignated | 103,437          | 71,337          |
| Total        | <u>\$397,442</u> | <u>\$71,337</u> |

Net Assets, with restrictions are donor restricted for the following purpose:

|  | June 30,            |                    |
|--|---------------------|--------------------|
|  | 2021                | 2020               |
| Scholarships:                                |                     |                    |
| Held under endowment                         | \$5,939,878         | \$4,547,351        |
| Available                                    | 357,607             | 347,096            |
|  | <u>6,297,485</u>    | <u>4,894,447</u>   |
| Cultural enrichment of the performing arts:  |                     |                    |
| Permanently restricted                       | 25,000              | 25,000             |
| Available                                    | 2,661,600           | 2,267,447          |
|  | <u>2,686,600</u>    | <u>2,292,447</u>   |
| Various grants                               | 371,029             | 330,102            |
| Capital projects                             | 812,771             | 941,773            |
| Construction of the career technology center | <u>103,183</u>      | <u>107,433</u>     |
| Total  | <u>\$10,271,068</u> | <u>\$8,566,202</u> |

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 9      Risk Management

The Foundation is exposed to various risks of loss related to its non-profit activity including tort, theft or other loss to assets, and errors and omissions. The College provides donated management and other personnel to operate the Foundation. The Foundation does carry insurance separate from the College. There have been no losses sustained by the Foundation in any of the past three fiscal years.

Note 10      Contingencies

The Foundation and its legal counsel are of the opinion that there are no legal actions which will have a material effect on the financial statements.

Note 11      Related Party Transactions

The Foundation received donated direct personnel support, supplies and use of equipment from the College for the years ended June 30, 2021 and 2020 of \$307,384 and \$267,578, respectively. These amounts included fundraising activities, its primary function, and are reflected in the Foundation's statements of activities as both revenue and expenses.

The Foundation distributes scholarships and grants for the sole benefit of the College and its students. The total amount distributed to the College for scholarships and grants for the years ended June 30, 2021 and 2020 were \$593,068 and \$513,746, respectively. At year end, the Foundation and the College had outstanding balances between the entities of \$8,792 and \$110,133 for 2021 and 2020, respectively.

During the fiscal year ended June 30, 2021, the Foundation received a contribution of medical equipment from Henry Ford Hospital with a fair market value of approximately \$15,000.

During the fiscal year ended June 30, 2020, the Foundation received a contribution of furniture and furnishings from La-Z-Boy, Inc. with a fair market value of approximately \$15,000. The Foundation also received a Baby Grand Piano from Ms. Mary Cheryl Krakow with a fair market value of approximately \$13,500.

These amounts are reflected in the Foundation's statements of activities as both revenue when received and expenses as transferred to Monroe County Community College.

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

### Note 12   New Accounting Pronouncements

During May 2014, the FASB issued "Accounting Standards Update" (ASU) No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606). ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the expectation consideration received in exchange for those goods or services.

During May 2020, FASB deferred the effective date of ASU No. 2014-09. ASU 2014-09 is now effective for fiscal years beginning after December 15, 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as the date of the initial application. The aforementioned ASU's are codified as "Accounting Standards Codification" (ASC) Topic 606 "*Revenue from Contracts with Customers*".

The Foundation adopted the standard on July 1, 2020. There was no impact to net assets as of July 1, 2020, or to revenue for the year ended June 30, 2021, after adopting Topic 606, as revenue recognition and timing of revenue did not change as a result of implementing the standard.

### Note 13   Events Occurring After Reporting Date

The Foundation has evaluated events and transactions that occurred between June 30, 2021 and October 11, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

In March 2020, The World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the ultimate impact and duration of this outbreak is uncertain, the Foundation anticipates a negative impact on net assets, operations and cash flows. Possible effects include, but are not limited to, decrease in contributions and reduction in investment values. However, the financial impact of such decreases cannot be reasonably estimated at this time.