

Norwalk Community College Foundation, Inc.

**Financial Statements
(Together with Independent Auditors' Report)**

For the Years Ended June 30, 2020 and 2019

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Norwalk Community College Foundation, Inc.

We have audited the accompanying financial statements of Norwalk Community College Foundation, Inc. (a not for profit organization),(the "Foundation"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Norwalk Community College Foundation, Inc. as of June 30, 2020 and 2019, 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.

Marks Paneth

Purchase, NY
September 28, 2020

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,482,256	\$ 1,487,149
Promises to give, net	130,000	753,176
Investments	27,709,441	26,560,614
Prepaid expenses	4,931	4,705
Property and equipment, net	19,653	14,614
 Total Assets	\$ 30,346,281	\$ 28,820,258
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 35,220	\$ 45,731
Annuities payable	35,521	41,921
Grants payable	1,288,333	1,191,544
Paycheck Protection Program loan	95,000	-
Total Liabilities	1,454,074	1,279,196
 Net Assets		
General	1,197,447	990,663
Board Designated	570,514	542,747
Total Net Assets Without Donor Restrictions	1,767,961	1,533,410
Total Net Assets With Donor Restrictions	27,124,246	26,007,652
Total Net Assets	28,892,207	27,541,062
 Total Liabilities and Net Assets	\$ 30,346,281	\$ 28,820,258

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

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2020**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Public Support and Revenue			
Contributions	\$ 600,561	\$ 3,148,082	\$ 3,748,643
In-kind contributions	-	61,275	61,275
Investment return	113,750	818,536	932,286
Net assets released from restrictions	2,911,299	(2,911,299)	-
Total Public Support and Revenue	3,625,610	1,116,594	4,742,204
Functional Expenses			
Program			
Scholarships	1,834,668	-	1,834,668
College advancement	1,028,082	-	1,028,082
Total Program Expenses	2,862,750	-	2,862,750
Supporting Services			
Management and general	234,579	-	234,579
Development	293,730	-	293,730
Total Functional Expenses	3,391,059	-	3,391,059
<u>CHANGE IN NET ASSETS</u>	234,551	1,116,594	1,351,145
Net assets - beginning of year	1,533,410	26,007,652	27,541,062
Net assets - end of year	\$ 1,767,961	\$ 27,124,246	\$ 28,892,207

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2019**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Public Support and Revenue			
Contributions	\$ 1,015,815	\$ 1,301,719	\$ 2,317,534
Investment return	94,386	1,177,674	1,272,060
Net assets released from restrictions	<u>3,376,553</u>	<u>(3,376,553)</u>	<u>-</u>
Total Public Support and Revenue	<u>4,486,754</u>	<u>(897,160)</u>	<u>3,589,594</u>
Functional Expenses			
Program			
Scholarships	1,637,045	-	1,637,045
College advancement	<u>1,735,390</u>	<u>-</u>	<u>1,735,390</u>
Total Program Expenses	3,372,435	-	3,372,435
Supporting Services			
Management and general	244,972	-	244,972
Development	<u>290,389</u>	<u>-</u>	<u>290,389</u>
Total Functional Expenses	<u>3,907,796</u>	<u>-</u>	<u>3,907,796</u>
<u>CHANGE IN NET ASSETS</u>	578,958	(897,160)	(318,202)
Net assets - beginning of year	<u>954,452</u>	<u>26,904,812</u>	<u>27,859,264</u>
Net assets - end of year	<u>\$ 1,533,410</u>	<u>\$ 26,007,652</u>	<u>\$ 27,541,062</u>

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019**

2020

	PROGRAM			SUPPORTING SERVICES		TOTAL FUNCTIONAL EXPENSES
	SCHOLARSHIPS	COLLEGE ADVANCEMENT	TOTAL PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	
Salaries and benefits	\$ 179,093	\$ 114,204	\$ 293,297	\$ 150,081	\$ 240,473	\$ 683,851
Support to Norwalk Community College	1,629,740	788,651	2,418,391	-	-	2,418,391
Center for Science, Health, and Wellness costs	-	43,271	43,271	-	-	43,271
Student coaching and support	-	65,529	65,529	-	-	65,529
Consultants and professional fees	7,488	4,728	12,216	57,014	5,101	74,331
Provision for non-payment of pledge	-	-	-	12,000	-	12,000
Office operations and miscellaneous	18,347	11,699	30,046	15,484	48,156	93,686
	<u>\$ 1,834,668</u>	<u>\$ 1,028,082</u>	<u>\$ 2,862,750</u>	<u>\$ 234,579</u>	<u>\$ 293,730</u>	<u>\$ 3,391,059</u>

2019

	PROGRAM			SUPPORTING SERVICES		TOTAL FUNCTIONAL EXPENSES
	SCHOLARSHIPS	COLLEGE ADVANCEMENT	TOTAL PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	
Salaries and benefits	\$ 153,872	\$ 97,967	\$ 251,839	\$ 142,785	\$ 216,808	\$ 611,432
Support to Norwalk Community College	1,454,454	758,070	2,212,524	-	-	2,212,524
Center for Science, Health, and Wellness costs	-	786,093	786,093	-	-	786,093
Student coaching and support	-	78,539	78,539	-	-	78,539
Consultants and professional fees	8,004	1,533	9,537	82,965	12,634	105,136
Office operations and miscellaneous	20,715	13,188	33,903	19,222	60,947	114,072
	<u>\$ 1,637,045</u>	<u>\$ 1,735,390</u>	<u>\$ 3,372,435</u>	<u>\$ 244,972</u>	<u>\$ 290,389</u>	<u>\$ 3,907,796</u>

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,351,145	\$ (318,202)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Realized and unrealized gains on investments	(449,882)	(691,116)
Depreciation	2,934	7,782
Contributions with perpetual donor restrictions	(309,433)	(54,399)
Changes in Operating Assets and Liabilities:		
Promises to give	623,176	(476,006)
Prepaid expenses	(226)	(14)
Accounts payable	(10,511)	21,601
Annuities payable	(3,324)	-
Grants payable	96,789	598,364
Other liabilities	-	(129,489)
Total Adjustments	(50,477)	(723,277)
Net Cash Provided by (Used in) Operating Activities	1,300,668	(1,041,479)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	11,551,400	7,404,778
Purchase of investments	(12,250,345)	(6,499,236)
Purchase of property and equipment	(7,973)	(11,911)
Change in present value of future annuity payments	4,339	5,639
Net Cash (Used in) Provided by Investing Activities	(702,579)	899,270
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with perpetual donor restrictions	309,433	54,399
Payments to annuitants	(7,415)	(7,820)
Proceeds from Paycheck Protection Program loan	95,000	-
Net Cash Provided by Financing Activities	397,018	46,579
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	995,107	(95,630)
Cash and cash equivalents - beginning of year	1,487,149	1,582,779
Cash and cash equivalents - end of year	\$ 2,482,256	\$ 1,487,149

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

The Norwalk Community College Foundation, Inc. (the "Foundation") was chartered to raise funds and promote community support for Norwalk Community College (the "College") and its students. The Foundation receives donations from individuals, foundations and businesses primarily through campaigns and periodic fundraising events.

Accounting Basis

The Foundation's financial statements have been prepared on the accrual basis of accounting and presented in accordance with Financial Accounting Standards Board ("FASB") guidance for not-for-profit organizations. Under that guidance, the Foundation is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to explicit donor-imposed stipulations, including board designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Foundation or the passage of time, stipulations that they be maintained permanently by the Foundation, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue Recognition

Promises to Give: Unconditional promises to give are recognized as revenue in the period the promise is received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions: Contributions are recognized as support without donor restrictions unless their use is specifically restricted by the donor. When a donor restriction expires, the stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities and change in net assets as released from restrictions. Contributions for which restrictions are fulfilled in the same time period in which the contributions are received are recognized as support without restrictions. Contributions that are restricted (endowed) by the donor, from which the Foundation may utilize only the income, are recognized as net assets with donor restrictions.

Non-cash Contributions: The Foundation receives some volunteer services in carrying out its programs and activities. Volunteers without specialized skills may perform various administrative and fundraising functions. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. Non-cash contributions are measured at the fair value of the asset transferred to the Foundation or the liability cancelled or settled. Non-cash contributions of \$61,275 were made in 2020. There were no non-cash contributions in 2019.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation evaluates all significant tax positions in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As of June 30, 2020 and 2019, the Foundation does not believe that it has taken any positions that would require the recording of any tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

Fair Value Measurements

The Foundation measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. An entity is required to classify certain assets and liabilities measured at fair value based on the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and may be derived from internally developed methodologies based on management's best estimates.

Investments

Investments are recorded at fair value with unrealized gains and losses included in the statements of activities and change in net assets. The Foundation reports investment income and gains and losses as increases or decreases in net assets without restrictions in the statements of activities and change in net assets unless a donor or law restricts their use.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at estimated fair value on the date of gift, if donated, and are depreciated over their respective estimated useful lives. Assets with a cost of \$1,000 or more are capitalized as property and equipment. The Foundation, if received, would report gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as support with donor restrictions. Absent explicit donor stipulations about how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Repairs and maintenance of existing facilities are charged as expenses as incurred. Depreciation of furniture and equipment is determined by use of the straight-line method over the estimated useful life of three to seven years.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events, historical experience, and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results could differ from these estimates and assumptions.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and change in net assets, and functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocations on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, depreciation, and other, which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Reclassifications

Certain reclassifications of the prior year amounts were made to conform to the current year presentation. These changes had no impact on the change in net assets for the year ended June 30, 2019.

NOTE 2 – PROMISES TO GIVE

Promises to give at June 30, 2020 and 2019 were \$130,000 and \$753,176, respectively. All promises were deemed collectible at June 30, 2020 and 2019; accordingly, there is no allowance for doubtful accounts. Promises which are due between two and five years were discounted at rates calculated based upon the discount rates applicable to the year the promises were originally made. During the year ended June 30, 2019, one new long-term promise was discounted at the rate of 3.2%. The net present values of promises to give are as follows:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 130,000	\$ 706,272
Due between two and five years	<u>-</u>	<u>50,000</u>
	130,000	756,272
Discount to present value	<u>-</u>	<u>(3,096)</u>
 Total Net Promises to Give	 <u>\$ 130,000</u>	 <u>\$ 753,176</u>

In addition to the promises above, the Foundation received two promises which were conditional upon the related Foundation and College run programs meeting certain benchmarks or outcomes. The donors have not committed to paying future amounts if the programs are deemed unsuccessful according to expected benchmarks, therefore, these amounts are not recorded as promises to give on the Foundation's books. If the conditions are met, the Foundation would receive up to \$275,000 over the next two years to fund those programs.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing support for the College and scholarships as well as services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, the Foundation’s financial assets were as follows:

	2020	2019
Cash and cash equivalents	\$ 2,482,256	\$ 1,487,149
Promises to give, current portion	130,000	706,272
Investments	<u>27,709,441</u>	<u>26,560,614</u>
Subtotal financial assets at year end	30,321,697	28,754,035
Less amounts with limits on usage:		
Spendable net assets with donor restrictions	(3,178,828)	(2,305,393)
Endowment assets with donor restrictions	(23,945,418)	(23,702,259)
Board designated funds	<u>(570,514)</u>	<u>(52,747)</u>
Total financial assets available for general use within one year	<u>\$ 2,626,937</u>	<u>\$ 2,203,636</u>

As part of the Foundation’s liquidity management plan, the Foundation invests cash in excess of daily requirements in money markets and other short-term cash investments.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 – INVESTMENTS

The tables below set forth by level, within the fair value hierarchy, the market value of the Foundation's investments at year end:

June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	NAV Practical Expedient	<u>Total</u>
Equities and equity funds	\$ 15,547,066	\$ -	\$ -	\$ 15,547,066
Fixed income funds	11,508,775	-	-	11,508,775
Alternative investments	<u>-</u>	<u>-</u>	<u>653,600</u>	<u>653,600</u>
Total Investments	<u>\$ 27,055,841</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 27,709,441</u>

June 30, 2019

	<u>Level 1</u>	<u>Level 2</u>	NAV Practical Expedient	<u>Total</u>
Equities and equity funds	\$ 17,479,949	\$ 11,818	\$ -	\$ 17,491,767
Fixed income funds	8,350,814	-	-	8,350,814
Alternative investments	<u>-</u>	<u>-</u>	<u>718,033</u>	<u>718,033</u>
Total Investments	<u>\$ 25,830,763</u>	<u>\$ 11,818</u>	<u>\$ 718,033</u>	<u>\$ 26,560,614</u>

For the most part, the valuation of limited partnership interests, hedge funds, long and private equity funds, at June 30, 2019 and 2020, are reported at estimated fair value utilizing the net asset values provided by fund managers as a practical expedient. Reported fund values utilize significant unobservable inputs; management reviews and evaluates the values provided by fund managers and general partners and agrees with the valuation methods and assumptions used in determining the reported fair values of the alternative investments.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2019
Furniture and equipment	\$ 65,480	\$ 57,507
Less: accumulated depreciation	(45,827)	(42,893)
 Total Property and Equipment, net	 \$ 19,653	 \$ 14,614

Depreciation expense for fiscal years ended June 30, 2020 and 2019 was \$2,934 and \$7,782, respectively.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

On April 22, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$95,000 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Foundation's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Foundation. The Foundation has applied for forgiveness of the PPP Loan with respect to these covered expenses and expects to qualify for full forgiveness. To the extent that all or part of the PPP Loan is not forgiven, the Foundation will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. Principal payments on this debt, if not forgiven, will be as follows:

2021	\$ 41,781
2022	53,219
 Total PPP Loan Payable	 \$ 95,000

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 – ANNUITIES PAYABLE

The Foundation has entered into charitable gift annuity agreements with several donors. The Foundation received funds from the donors in exchange for promises by the Foundation to pay fixed amounts in annuity payments to the donors for the remainder of their lives. No amounts were received from donor contributions during 2020 and 2019. In the year ended June 30, 2020, the death of one annuitant resulted in a reduction of the remaining liability by \$3,324. The total amount of gift principal received under these agreements to date is \$640,723. The Foundation had annuities payable of \$35,521 at June 30, 2020 and \$41,921 at June 30, 2019, which recognize the present value of future annuity payments, discounted at the rate of 4.2% based upon the Internal Revenue Service discount rate for the one remaining annuitant at June 30, 2020. The discount rate at June 30, 2019 ranged between 4.2% and 7.4%. The payout percentage is 6.2% of the original funds received for the remaining annuitant at June 30, 2020 and ranged between 6.2% and 8.2% until the death of an annuitant in the year ended June 30, 2020. These funds are invested with a creditworthy trust company which invested the funds in money market and mutual funds with small amounts in alternative investments. The fair market value of the funds at June 30, 2020 and 2019 was \$69,448 and \$78,072, respectively. Annuity payments of \$7,415 and \$7,820 were made in 2020 and 2019, respectively.

NOTE 8 – GRANTS PAYABLE

The Foundation has entered into various grant agreements with the College to support, among other things, an improvement in academic achievement and retention of students enrolled at the College, general scholarships, and support for the operations of the Center for Science, Health and Wellness. The expense has been included in support to Norwalk Community College in the statements of functional expenses. The portion of the grants expected to be paid in two years have been discounted at 2.2%. The Foundation has committed to the following payments over the next two years:

2021		\$ 1,001,235
2022		<u>300,000</u>
Total Grants Payable		1,301,235
Less: discount to net present value		<u>(12,902)</u>
Grants Payable		<u>\$ 1,288,333</u>

Additionally, the Foundation has budgeted funding for subsequent academic year scholarships and other college programs and projects; however, formal agreements have not been executed, the projects are contingent on future events, the projects are contingent on benchmark results in continuing programs, or the scholarships are contingent on student enrollment and applications. These amounts are not reflected in the total grants payable to the College and are recorded in the statements of functional expenses when expended. At June 30, 2020, the amount of the program and project support not reflected in the financial statements is \$288,213 and the amount of the budgeted scholarship awards is \$950,000 for a total of \$1,238,213.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 – PENSION PLAN

The Foundation has a Safe Harbor 401(k) plan. This plan requires the Foundation to match employee contributions equal to 100% of the first 2% of the participant's compensation. The Foundation has made a safe harbor, non-elective contribution equal to 7% of a participant's compensation. Total pension expense for the years ended June 30, 2020 and 2019 was \$48,846 and \$37,864, respectively.

NOTE 10 – NET ASSETS

Net assets with donor restrictions at June 30 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Perpetual donor-restricted net assets	\$ 16,623,556	\$ 16,308,222
Purpose restricted net assets for scholarships, college advancement and capital improvements	<u>10,500,690</u>	<u>9,699,430</u>
Total with donor restrictions	<u>\$ 27,124,246</u>	<u>\$ 26,007,652</u>

A one-time, five percent administrative fee is assessed on all non-endowment gifts with donor restrictions as to programs, upon receipt of the gift.

Investment returns on net assets are restricted by the donor primarily for endowments of scholarships, but also include amounts for college advancement, and management and development. These revenues are recorded in net assets with donor restrictions.

Net assets released from restrictions were as follows during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 1,629,740	\$ 1,449,754
Capital improvements	315,908	-
College advancement and other	<u>965,651</u>	<u>1,926,799</u>
Total Net Assets Released from Restrictions	<u>\$ 2,911,299</u>	<u>\$ 3,376,553</u>

During the year ended June 30, 2018, the Board approved a designated fund for operations and program needs. As of June 30, 2020, the balance in this fund was \$570,514. Additional amounts may be designated as the Board deems appropriate. An additional \$500,000 was designated to the fund as of July 1, 2020, for a total of \$1,070,514.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 – ENDOWMENT FUNDS

The Foundation's endowment consists of approximately 100 individual funds established primarily for scholarships. The endowment includes both donor-restricted 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.

Based on its interpretation of the State of Connecticut's Uniform Prudent Management of Institutional Funds Act ("CUPMIFA"), the Foundation has set as an objective, when market conditions allow, of the preservation of the fair value of the gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the perpetual endowment as well as the original value of subsequent gifts to the perpetual endowment. Investment gains and losses are included in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income including the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The primary emphasis of the investment policy is to safeguard and preserve the principal of the endowment after inflation. Accordingly, the investment process seeks to achieve a total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix which includes equities, fixed income, alternative investments and cash equivalents. This mix is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution from the perpetual endowment in accordance with the spending policy (4.5% at June 30, 2020 and 2019) while growing the funds. Therefore, the Foundation's goal is for its endowment assets, over time, to produce a long-term real rate of return after inflation and net of fees. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to minimize exposure to unacceptable levels of risk. The Foundation reassesses its investment and spending policies annually.

Income and capital returns on endowment principal are spent, unless otherwise specified by the donor, in accordance with the Foundation's spending policy, which is based upon a "total return of capital" concept. Under this policy, the Foundation approves the spending rate annually. The approved percentage was applied to each perpetual endowment fund's average fair value for the prior five years. In establishing this spending policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds which must be maintained in perpetuity because of donor-restrictions and the possible effects of inflation.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – ENDOWMENT FUNDS (Continued)

During the years ended June 30, 2020 and 2019, there were no fund balances below the historical gift value. These amounts were available primarily for scholarships and other programs, less 1% for an administrative fee. The administrative fee is assessed annually to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the College. Any unspent investment income generated from the perpetual endowments is recorded as net assets with donor restrictions as directed by donor intent or applicable law. Amounts are released from net assets with donor restrictions as allocated by the Foundation's Board of Directors. Under CUPMIFA, the Foundation, if it deems prudent, may allow spending that reduces net assets with donor restrictions below historical gift value with the intention of replenishing the assets in a future period when market conditions allow.

Changes in donor-restricted board endowment and donor-restricted perpetual endowment net assets during June 30, 2020 and 2019 were reported as follows:

Endowment net assets,	<u>Perpetual Endowment</u>
July 1, 2018	\$ 16,147,150
Contributions	54,399
Interest and dividend income	-
Realized and unrealized gains/(losses)	106,673
Investment fees	-
Amounts appropriated for expenditure	<u>-</u>
Endowment net assets,	
June 30, 2019	16,308,222
Contributions	308,933
Interest and dividend income	-
Realized and unrealized gains/(losses)	6,401
Investment fees	-
Amounts appropriated for expenditure	<u>-</u>
Endowment net assets,	
June 30, 2020	<u>\$ 16,623,556</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 – CONCENTRATIONS

The Foundation maintains cash balances at various financial institutions. Concentrations of credit risk result primarily from cash on deposit at these financial institutions in excess of Federal Deposit Insurance Corporation (“FDIC”) limits. At times during the year, cash and cash equivalent balances may be in excess of FDIC coverage. At June 30, 2020 and 2019, the Foundation's uninsured cash and cash equivalents balance totaled approximately \$900,000 and \$287,000, respectively.

NOTE 13 – INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions made to the Foundation qualify for the maximum tax deduction allowable under the United States Internal Revenue Code.

NOTE 14 – CORONA VIRUS

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. The Foundation could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, we cannot predict the extent to which our financial condition and results of operations will be affected.

NOTE 15 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 28, 2020, the date that the financial statements were available to be issued.