

Norwalk Community College Foundation, Inc.

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

**For the Year Ended June 30, 2018 and
the Six-Month Period Ended June 30, 2017**

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 YEAR ENDED JUNE 30, 2018 AND
THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

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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), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year ended June 30, 2018 and the six-month period ended June 30, 2017, 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 audit. We conducted our audit 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, 2018 and 2017, and the changes in its net assets and its cash flows for the year ended June 30, 2018 and the six-month period ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

Marks Paneth LLP
Purchase, New York

December 14, 2018

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND JUNE 30, 2017

	2018	2017
ASSETS		
Cash and cash equivalents - Note 11	\$ 1,582,779	\$ 3,444,374
Prepaid expenses	4,691	704
Pledges receivable, net - Note 2	277,170	668,712
Investments - Note 3	26,775,040	24,089,040
Property and equipment, net - Note 4	10,485	17,112
	\$ 28,650,165	\$ 28,219,942
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 24,130	\$ 28,195
Annuities payable - Note 5	44,102	49,179
Grants payable - Note 7	593,180	1,012,266
Other liabilities - Note 6	129,489	157,750
Total Liabilities	790,901	1,247,390
Net Assets		
Unrestricted General	434,052	650,866
Unrestricted Board Designated	520,400	-
Total Unrestricted	954,452	650,866
Temporarily restricted	10,757,662	9,969,978
Permanently restricted	16,147,150	16,351,708
Total Net Assets - Note 9	27,859,264	26,972,552
	\$ 28,650,165	\$ 28,219,942

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2018**

	<u>UNRESTRICTED GENERAL</u>	<u>UNRESTRICTED BOARD DESIGNATED</u>	<u>TOTAL UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Public Support and Revenue						
Contributions	\$ 778,545	\$ -	\$ 778,545	\$ 1,111,576	\$ 63,895	\$ 1,954,016
Investment income (loss) - Note 3	23,122	3,737	26,859	1,893,830	(18,453)	1,902,236
Net assets released from restrictions - Note 9	2,467,722	-	2,467,722	(2,467,722)	-	-
Total Public Support and Revenue	<u>3,269,389</u>	<u>3,737</u>	<u>3,273,126</u>	<u>537,684</u>	<u>45,442</u>	<u>3,856,252</u>
Functional Expenses						
Program						
Scholarships	1,540,159	-	1,540,159	-	-	1,540,159
College advancement	878,931	-	878,931	-	-	878,931
Total Program Expenses	<u>2,419,090</u>	<u>-</u>	<u>2,419,090</u>	<u>-</u>	<u>-</u>	<u>2,419,090</u>
Management and general	295,531	-	295,531	-	-	295,531
Development	254,919	-	254,919	-	-	254,919
Total Functional Expenses	<u>2,969,540</u>	<u>-</u>	<u>2,969,540</u>	<u>-</u>	<u>-</u>	<u>2,969,540</u>
<u>CHANGE IN NET ASSETS</u>	299,849	3,737	303,586	537,684	45,442	886,712
Net assets - beginning of year	650,866	-	650,866	9,969,978	16,351,708	26,972,552
Net asset transfers - Note 9	<u>(516,663)</u>	<u>516,663</u>	<u>-</u>	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
Net assets - end of year	<u>\$ 434,052</u>	<u>\$ 520,400</u>	<u>\$ 954,452</u>	<u>\$ 10,757,662</u>	<u>\$ 16,147,150</u>	<u>\$27,859,264</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
SIX MONTHS ENDED JUNE 30, 2017

	<u>UNRESTRICTED GENERAL</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Public Support and Revenue				
Contributions	\$ 107,614	\$ 561,632	\$ 32,700	\$ 701,946
Investment income (loss) - Note 3	9,899	1,576,954	(33,914)	1,552,939
Net assets released from restrictions - Note 9	<u>548,436</u>	<u>(548,436)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>665,949</u>	<u>1,590,150</u>	<u>(1,214)</u>	<u>2,254,885</u>
Functional Expenses				
Program				
Scholarships	193,670	-	-	193,670
College advancement	<u>342,168</u>	<u>-</u>	<u>-</u>	<u>342,168</u>
Total Program Expenses	535,838	-	-	535,838
Management and general	197,579	-	-	197,579
Development	<u>142,608</u>	<u>-</u>	<u>-</u>	<u>142,608</u>
Total Functional Expenses	<u>876,025</u>	<u>-</u>	<u>-</u>	<u>876,025</u>
<u>CHANGE IN NET ASSETS</u>	(210,076)	1,590,150	(1,214)	1,378,860
Net assets - beginning of year	<u>860,942</u>	<u>8,379,828</u>	<u>16,352,922</u>	<u>25,593,692</u>
Net assets - end of year	<u><u>\$ 650,866</u></u>	<u><u>\$ 9,969,978</u></u>	<u><u>\$ 16,351,708</u></u>	<u><u>\$ 26,972,552</u></u>

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018 AND SIX MONTHS ENDED JUNE 30, 2017

2018

	PROGRAM			SUPPORTING SERVICES		TOTAL FUNCTIONAL EXPENSES
	<u>SCHOLARSHIPS</u>	<u>COLLEGE ADVANCEMENT</u>	<u>TOTAL PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	
Salaries and benefits	\$ 166,153	\$ 98,107	\$ 264,260	\$ 173,433	\$ 229,227	\$ 666,920
Support to Norwalk Community College	1,373,012	731,192	2,104,204	-	-	2,104,204
Center for Science, Health, and Wellness costs	-	49,301	49,301	-	-	49,301
Consultants and professional fees	-	-	-	76,424	-	76,424
Office operations and miscellaneous	994	331	1,325	45,674	25,692	72,691
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	\$ 1,540,159	\$ 878,931	\$ 2,419,090	\$ 295,531	\$ 254,919	\$ 2,969,540
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2017

	PROGRAM			SUPPORTING SERVICES		TOTAL FUNCTIONAL EXPENSES
	<u>SCHOLARSHIPS</u>	<u>COLLEGE ADVANCEMENT</u>	<u>TOTAL PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	
Salaries and benefits	\$ 81,317	\$ 49,719	\$ 131,036	\$ 102,130	\$ 134,613	\$ 367,779
Support to Norwalk Community College	111,856	257,707	369,563	-	-	369,563
Center for Science, Health, and Wellness costs	-	34,576	34,576	-	-	34,576
Consultants and professional fees	-	-	-	60,592	-	60,592
Bad debt	-	-	-	10,000	-	10,000
Office operations and miscellaneous	497	166	663	24,857	7,995	33,515
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	\$ 193,670	\$ 342,168	\$ 535,838	\$ 197,579	\$ 142,608	\$ 876,025
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NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2018 AND SIX MONTHS ENDED JUNE 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 886,712</u>	<u>\$ 1,378,860</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Realized and unrealized gains on investments	(1,231,340)	(1,416,969)
Depreciation	6,627	3,314
Permanently restricted contributions and interest income	(63,895)	(32,700)
Changes in Operating Assets and Liabilities:		
Prepaid expenses	(3,987)	(704)
Pledges receivable	391,542	(78,699)
Accounts payable	(4,065)	14,317
Annuities payable	(2,835)	-
Grants payable	(419,086)	(428,852)
Other liabilities	(28,261)	10,114
Total Adjustments	<u>(1,355,300)</u>	<u>(1,930,179)</u>
Net Cash Used by Operating Activities	<u>(468,588)</u>	<u>(551,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	11,070,410	10,776,583
Purchase of investments	(12,525,070)	(10,182,735)
Change in present value of future annuity payments	<u>5,768</u>	<u>3,847</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,448,892)</u>	<u>597,695</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions and interest income	63,895	32,700
Payments to annuitants	<u>(8,010)</u>	<u>(4,290)</u>
Net Cash Provided by Financing Activities	<u>55,885</u>	<u>28,410</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>(1,861,595)</u>	<u>74,786</u>
Cash and cash equivalents - beginning of year	<u>3,444,374</u>	<u>3,369,588</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,582,779</u></u>	<u><u>\$ 3,444,374</u></u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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. The Foundation changed its fiscal year end from December 31 to June 30 effective beginning the six-month period ending June 30, 2017.

Accounting Basis

The Foundation's financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") guidance. Under that guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted* - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Organization's operations over which the Board of Directors has discretionary control.
- *Temporarily Restricted* - This represents net assets subject to donor-imposed restrictions that are satisfied either by the passage of time or by actions of the Organization or the donor. When a donor restriction expires, that is, when a stipulated time restriction and or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.
- *Permanently Restricted* - Amounts are gifts which are established by donor restriction in perpetuity to provide a permanent endowment.

Revenue Recognition

Pledges Receivable: Unconditional pledges receivable are recognized as revenue in the period the pledge is received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

Contributions: The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Change in Net Assets as net assets released from restrictions. Donations that are permanently restricted by the donor are recorded as permanently restricted net assets.

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. There were no non-cash contributions in the fiscal periods ended June 30, 2018 or June 30, 2017.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Foundation evaluates all significant tax positions in accordance with U.S. GAAP. As of June 30, 2018 and 2017, 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 unrestricted net assets in the Statements of Activities and Change in Net Assets unless a donor or law temporarily or permanently 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 restricted support. 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 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, 2018 AND 2017

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 Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

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 purchased to be cash equivalents.

Recently Issued Accounting Standards

In May 2014, the FASB issued accounting standards update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. According to the new revenue recognition standards promulgated by the FASB, revenue recognition will follow a five-step process, which may or may not apply to the Organization. The five steps for revenue recognition are as follows: 1) Identify a contract, 2) Identify the performance obligation(s) in the contract, 3) Determine the sales price, 4) Allocate the transaction price to the performance obligations in the contract, and 5) Recognize revenue when, or as, the entity satisfies a performance obligation. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Organization for the year ended June 30, 2020.

In February 2016, the FASB issued a new ASU 2016-02, Leases (ASC 842), which requires an entity to recognize all leases on the balance sheet. The guidance significantly changes lessee accounting for leases and impacts financial statement presentation and financial metrics including many that relate directly to debt covenants, key performance indicators, and perhaps compensation arrangements. The ASU will replace most existing lease accounting guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Organization for the year ended June 30, 2021.

In August 2016, the FASB issued a new ASU 2016-14, Not-for-Profit Entities (ASC 958). The ASU addresses the areas which affect both key qualitative and quantitative measurements such as: net asset class presentation, investment return, liquidity and availability of resources, presentation of operating cash flow and presentation of “underwater” endowments. The new accounting standard becomes effective for the Organization’s fiscal year ended June 30, 2019. Not-for-profit entities are required to adopt the standard using a modified retrospective transition approach which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. Early application is permitted. The Organization is evaluating the effect that ASU 2016-14 will have on the financial statements and related disclosures.

Management does not believe these standards will have a significant impact on the financial reporting of the Foundation.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2018 and 2017 were \$277,170 and \$668,712, respectively. All pledges were deemed collectible at June 30, 2018 and 2017; accordingly, there is no allowance for doubtful accounts. Pledges which are due between two and five years were discounted at rates calculated based upon the discount rates applicable to the year the pledges were originally made. During the year ended June 30, 2018, one new long-term pledge was discounted at the rate of 3.76% and all pledges already in existence at June 30, 2017 still outstanding at June 30, 2018 were discounted at the rate of 2.7%. At June 30, 2017, all long-term pledges were discounted at the rate of 2.7%. The net present value of pledges receivable are as follows:

	<u>2018</u>	<u>2017</u>
Pledges due within one year	\$ 177,000	\$ 419,000
Pledges due between two and five years	<u>106,500</u>	<u>266,000</u>
	283,500	685,000
Discount to present value	<u>(6,330)</u>	<u>(16,288)</u>
Total Net Pledges Receivable	<u>\$ 277,170</u>	<u>\$ 668,712</u>

In addition to the pledges above, the Foundation received two pledges 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 pledges receivable on the Foundation's books. If the conditions are met, the Foundation would receive up to \$975,000 over the next four years to fund those programs.

The Foundation is also the beneficiary of an estate which has not yet been settled. The Foundation has received \$500,000 to date and anticipates an additional amount; however, the estate has not been able to quantify the residual amount due, if any, at June 30, 2018; therefore, a receivable has not been recorded.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 – INVESTMENTS

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

	<u>June 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and equity funds	\$ 17,352,429	\$ 32,857	\$ -	\$ 17,385,286
Fixed income funds and certificates of deposit	8,675,645	-	-	8,675,645
Alternative investments	-	-	<u>714,109</u>	<u>714,109</u>
Total Investments	<u>\$ 26,028,074</u>	<u>\$ 32,857</u>	<u>\$ 714,109</u>	<u>\$ 26,775,040</u>

	<u>June 30, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and equity funds	\$ 11,918,147	\$ 36,231	\$ -	\$ 11,954,378
Fixed income funds and certificates of deposit	10,277,603	-	-	10,277,603
Alternative investments	-	-	<u>1,857,059</u>	<u>1,857,059</u>
Total Investments	<u>\$ 22,195,750</u>	<u>\$ 36,231</u>	<u>\$ 1,857,059</u>	<u>\$ 24,089,040</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 – INVESTMENTS (Continued)

Level 3 assets consist primarily of investments in partnership funds and the valuation is based on the Foundation's capital balance within the funds. The following table presents a reconciliation of all Level 3 assets measured at fair value for the periods ending June 30, 2018 and 2017:

Beginning balance, January 1, 2017	\$ 1,804,948
Purchases	1,188
Sales	(1,105)
Realized loss	(439)
Investment return	<u>52,467</u>
Ending balance, June 30, 2017	1,857,059
Purchases	8,277
Sales	(1,186,656)
Realized gain	15
Investment return	<u>35,414</u>
Ending Balance, June 30, 2018	\$ <u>714,109</u>

The Foundation's investment return consisted of the following for the six-month period and year ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 782,465	\$ 220,838
Realized and unrealized gains on investments	1,231,340	1,416,969
Investment fees	<u>(111,569)</u>	<u>(84,868)</u>
Total Investment Income	\$ <u>1,902,236</u>	\$ <u>1,552,939</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 46,391	\$ 46,391
Less: accumulated depreciation	<u>(35,906)</u>	<u>(29,279)</u>
Total Property and Equipment, net	\$ <u>10,485</u>	\$ <u>17,112</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 – 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 2018 and 2017. In the year ended June 30, 2018, the death of one annuitant resulted in a reduction of the remaining liability by \$2,835. The total amount of gift principal received under these agreements to date is \$640,723. The Foundation had annuities payable of \$44,102 at June 30, 2018 and \$49,179 at June 30, 2017 which recognize the present value of future annuity payments discounted at rates between 4.2% and 7.4% based upon the Internal Revenue Service discount rate for each gift. The payout percentages range from 6.2% to 8.2% of the original funds received. 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, 2018 and 2017 was \$85,147 and \$92,118, respectively. Annuity payments of \$8,010 and \$4,290 were made in 2018 and 2017, respectively.

NOTE 6 – FUTURE INTERESTS

The Foundation was the residual beneficiary of a New Canaan, Connecticut commercial real property from an estate. The life tenant of the property was entitled to, and had been collecting, rent from the property's tenants. In November 2004, an agreement was reached between the estate, the Foundation, and the life tenant to sell the commercial property. For payments in lieu of rent to the life tenant, a liability was recorded for the present value of the future payments the life tenant would have received. The liability is recalculated annually based upon life expectancy tables. The recalculation resulted in an unrealized loss on investment of \$13,802 and \$30,725 at June 30, 2018 and 2017, respectively. The liability was \$129,489 and \$157,750 at June 30, 2018 and 2017, respectively. This amount is included in other liabilities on the Statements of Financial Position. The liability was based on a discount rate of 5% and a life expectancy of the tenant of 3.8 years in 2018 and 4.1 years in 2017. Required payments to the life tenant of the property began in December 2004 and are currently \$4,093 per month including interest, with a cost of living adjustment each September.

NOTE 7 – 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 new 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 1.6%. The Foundation has committed to the following payments over the next two years:

2019	\$ 455,295
2020	<u>145,527</u>
Total Grants Payable	600,822
Less: discount to net present value	<u>(7,642)</u>
Grants Payable	\$ <u>593,180</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 – GRANTS PAYABLE (Continued)

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, 2018, the amount of the program and project support not reflected in the financial statements is \$1,485,629 and the amount of the budgeted scholarship awards is \$874,000 for a total of \$2,359,629.

NOTE 8 – 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, 2018 and 2017 was \$44,844 and \$25,336, respectively.

NOTE 9 – NET ASSETS

Temporarily restricted net assets of \$10,757,662 and \$9,969,978 at June 30, 2018 and 2017, respectively, were available to support the following programs: scholarships, college advancement and capital improvements to the College. A one-time, five percent administrative fee is assessed on all temporarily restricted gifts upon receipt.

Investment returns on permanently restricted net assets are restricted primarily for endowments of scholarships, but also include amounts for college advancement, and management and development. These revenues are recorded in temporarily restricted net assets.

Net assets released from restrictions were as follows during the years ended December 31:

	<u>2018</u>	<u>2017</u>
Scholarships	\$ 1,373,012	\$ 111,856
College advancement and other	<u>1,094,710</u>	<u>436,580</u>
Total Net Assets Released from Restrictions	<u>\$ 2,467,722</u>	<u>\$ 548,436</u>

During the year ended June 30, 2018, permanently restricted net assets of \$250,000 were transferred to the temporarily restricted fund in accordance with the wishes of the donor to meet an immediate need for scholarship funding. Also, during that year, the Board approved a designated fund of up to \$800,000 for program or administrative needs. \$516,663 was transferred from operating funds during the year ended June 30, 2018 for this fund.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 – 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 permanently restricted net assets the original value of gifts donated to the permanent endowment as well as the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund, including investment gains and losses that are not classified in permanently restricted net assets is classified as temporarily restricted net assets 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 in accordance with the spending policy (4.25% at both June 30, 2018 and 2017) 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 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
JUNE 30, 2018 AND 2017

NOTE 10 – ENDOWMENT FUNDS (Continued)

In accordance with the Foundation's spending policy, the spending rate was 4.25% at both June 30, 2018 and 2017 on all funds with balances in excess of 85% of the historical gift value. During the years ended June 30, 2018 and 2017, there were no fund balances below 85% of 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 endowments is recorded as temporarily restricted assets as directed by donor intent or applicable law. Amounts are released from temporarily restricted assets as allocated by the Foundation's board of directors. Under CUPMIFA, the Foundation, if it deems prudent, may allow spending that reduces permanently restricted assets below historical gift value with the intention of replenishing the assets in a future period when market conditions allow.

Changes in endowment net assets during June 30, 2018 and 2017 were reported as follows:

	Endowment Temporarily <u>Restricted</u>	Endowment Permanently <u>Restricted</u>	Total Net Endowment <u>Assets</u>
Endowment net assets,			
January 1, 2017	\$ 5,934,094	\$ 16,352,922	\$ 22,287,016
Contributions	-	32,700	32,700
Interest and dividend income	193,370	-	193,370
Realized and unrealized gains/(losses)	1,466,093	(33,914)	1,432,179
Investment fees	(82,509)	-	(82,509)
Amounts appropriated for expenditure	<u>(342,858)</u>	<u>-</u>	<u>(342,858)</u>
Endowment net assets,			
June 30, 2017	7,168,190	16,351,708	23,519,898
Contributions	-	63,895	63,895
Interest and dividend income	788,402	-	788,402
Realized and unrealized gains/(losses)	1,210,304	(18,453)	1,191,851
Investment fees	(104,876)	-	(104,876)
Transfers	-	(250,000)	(250,000)
Amounts appropriated for expenditure	<u>(1,061,122)</u>	<u>-</u>	<u>(1,061,122)</u>
Endowment net assets,			
June 30, 2018	\$ <u>8,000,898</u>	\$ <u>16,147,150</u>	\$ <u>24,148,048</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 – ENDOWMENT FUNDS (Continued)

The table does not include non-endowment temporarily restricted net assets of \$2,756,764 in 2018 and \$2,801,788 in 2017 intended for capital improvements, college advancement, and scholarships.

NOTE 11 – 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, 2018, the Foundation's uninsured cash and cash equivalents balance totaled \$66,723.

NOTE 12 – 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 13 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through December 14, 2018, the date that the financial statements were available to be issued.