

Norwalk Community College Foundation, Inc.

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

For the Years Ended June 30, 2021 and 2020

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, 2021 AND 2020

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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, 2021 and 2020, 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, 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.

Marks Paneth LLP

Purchase, NY
September 23, 2021

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 4,671,914	\$ 2,482,256
Promises to give, net	26,500	130,000
Investments	31,084,945	27,709,441
Prepaid expenses	5,381	4,931
Property and equipment, net	16,375	19,653
 Total Assets	 \$ 35,805,115	 \$ 30,346,281
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 26,551	\$ 35,220
Annuities payable	33,708	35,521
Grants payable	1,101,107	1,288,333
Paycheck Protection Program loan	-	95,000
Total Liabilities	1,161,366	1,454,074
 Net Assets		
General	934,456	1,197,447
Board Designated funds	1,238,498	570,514
Total Net Assets Without Donor Restrictions	2,172,954	1,767,961
Total Net Assets With Donor Restrictions	32,470,795	27,124,246
Total Net Assets	34,643,749	28,892,207
 Total Liabilities and Net Assets	 \$ 35,805,115	 \$ 30,346,281

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, 2021**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Public Support and Revenue			
Contributions	\$ 704,668	\$ 1,511,186	\$ 2,215,854
In-kind contributions	2,000	-	2,000
Investment return	171,369	6,241,933	6,413,302
Gain on Extinguishment of Debt - PPP Loan	95,000	-	95,000
Net assets released from restrictions	2,406,570	(2,406,570)	-
Total Public Support and Revenue	3,379,607	5,346,549	8,726,156
Functional Expenses			
Program			
Scholarships	1,579,048	-	1,579,048
College advancement	864,500	-	864,500
Total Program Expenses	2,443,548	-	2,443,548
Supporting Services			
Management and general	234,262	-	234,262
Development	296,804	-	296,804
Total Functional Expenses	2,974,614	-	2,974,614
<u>CHANGE IN NET ASSETS</u>	404,993	5,346,549	5,751,542
Net assets - beginning of year	1,767,961	27,124,246	28,892,207
Net assets - end of year	\$ 2,172,954	\$ 32,470,795	\$ 34,643,749

**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

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

2021

	PROGRAM			SUPPORTING SERVICES		TOTAL FUNCTIONAL EXPENSES
	SCHOLARSHIPS	COLLEGE ADVANCEMENT	TOTAL PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	
Salaries and benefits	\$ 189,325	\$ 122,525	\$ 311,850	\$ 163,356	\$ 238,141	\$ 713,347
Support to Norwalk Community College	1,358,550	512,263	1,870,813	-	-	1,870,813
Center for Science, Health and Wellness costs	-	171,429	171,429	-	-	171,429
Student coaching and support	-	40,080	40,080	-	-	40,080
Consultants and professional fees	12,032	5,815	17,847	50,990	10,577	79,414
Office operations and miscellaneous	19,141	12,388	31,529	19,916	48,086	99,531
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Total Functional Expenses	\$ 1,579,048	\$ 864,500	\$ 2,443,548	\$ 234,262	\$ 296,804	\$ 2,974,614
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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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	\$ 1,834,668	\$ 1,028,082	\$ 2,862,750	\$ 234,579	\$ 293,730	\$ 3,391,059
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The accompanying notes are an integral part of these financial statements.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,751,542	\$ 1,351,145
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Realized and unrealized gains on investments	(5,919,256)	(449,882)
Gain on Extinguishment of Debt - PPP Loan	(95,000)	-
Depreciation	5,668	2,934
Contributions with perpetual donor restrictions	(101,537)	(308,933)
Changes in Operating Assets and Liabilities:		
Promises to give	103,500	623,176
Prepaid expenses	(450)	(226)
Accounts payable	(8,669)	(10,511)
Annuities payable	-	(3,324)
Grants payable	(187,226)	96,789
Total Adjustments	(6,202,970)	(49,977)
Net Cash (Used in) Provided by Operating Activities	(451,428)	1,301,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	8,918,344	11,551,400
Purchase of investments	(6,374,592)	(12,250,345)
Purchase of property and equipment	(2,390)	(7,973)
Change in present value of future annuity payments	4,387	4,339
Net Cash Provided by (Used in) Investing Activities	2,545,749	(702,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with perpetual donor restrictions	101,537	308,933
Payments to annuitants	(6,200)	(7,415)
Proceeds from Paycheck Protection Program loan	-	95,000
Net Cash Provided by Financing Activities	95,337	396,518
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	2,189,658	995,107
Cash and cash equivalents - beginning of year	2,482,256	1,487,149
Cash and cash equivalents - end of year	\$ 4,671,914	\$ 2,482,256

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 donor restrictions are reclassified to net assets without donor 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 donor 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 \$2,000 and \$61,275 were made in 2021 and 2020, respectively.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in 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, 2021 and 2020, 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 donor 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 without donor restrictions 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, 2021 AND 2020

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, 2020.

NOTE 2 – PROMISES TO GIVE

Promises to give are expected to be fully collectible and consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 23,500	\$ 130,000
Due between two and five years	<u>3,000</u>	<u>-</u>
Total Promises to Give	<u>\$ 26,500</u>	<u>\$ 130,000</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 \$225,000 next year to fund those programs.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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:

	2021	2020
Cash and cash equivalents	\$ 4,671,914	\$ 2,482,256
Promises to give, current portion	23,500	130,000
Investments	<u>31,084,945</u>	<u>27,709,441</u>
Subtotal financial assets at year end	35,780,359	30,321,697
Less amounts with limits on usage:		
With donor restrictions	(32,470,795)	(27,124,246)
Board designated funds	<u>(1,238,498)</u>	<u>(570,514)</u>
Total financial assets available for general use within one year	<u>\$ 2,071,066</u>	<u>\$ 2,626,937</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, 2021 AND 2020

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, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and equity funds	\$ 18,887,981	\$ -	\$ -	\$ 18,887,981
Fixed income funds	<u>11,473,194</u>	-	-	<u>11,473,194</u>
Investments measured at fair value	<u>\$ 30,361,175</u>	<u>\$ -</u>	<u>\$ -</u>	30,361,175
Investments measured at NAV as a practical expedient				<u>723,770</u>
Total assets at fair value				<u>\$ 31,084,945</u>

June 30, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Note 4Equities and equity funds	\$ 15,547,066	\$ -	\$ -	\$ 15,547,066
Fixed income funds	<u>11,508,775</u>	-	-	<u>11,508,775</u>
Investments measured at fair value	<u>\$ 27,055,841</u>	<u>\$ -</u>	<u>\$ -</u>	27,055,841
Investments measured at NAV as a practical expedient				<u>653,600</u>
Total assets at fair value				<u>\$ 27,709,441</u>

The following table summarizes investments measured at fair value based on net assets value (NAVs) per share:

June 30, 2021

	<u>Fair Market Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Neuberger Berman Offshore Diversified Arbitrage Fund II Ltd	<u>\$ 723,770</u> <u>\$ 723,770</u>	N/A	Quarterly	65 Calendar days

June 30, 2020

	<u>Fair Market Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Neuberger Berman Offshore Diversified Arbitrage Fund II Ltd	<u>\$ 653,600</u> <u>\$ 653,600</u>	N/A	Quarterly	65 Calendar days

Neuberger Berman Offshore Diversified Arbitrage Fund II Ltd – The Partnership's investment objective is to target consistent, positive absolute returns with minimal beta to major equity and fixed income markets by seeking long-term capital appreciation while attempting to reduce risk and volatility. The Partnership pursues this objective by allocating its assets, through the Master Fund, primarily among a select group of portfolio managers ("Portfolio Managers") that generally employ a broad range of relative-value, event-driven and market-neutral strategies (e.g., distressed securities investing, credit arbitrage, equity restructurings, merger arbitrage, convertible arbitrage, fixed income arbitrage, statistical arbitrage, volatility arbitrage and equity market-neutral).

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 67,870	\$ 65,480
Less: accumulated depreciation	<u>(51,495)</u>	<u>(45,827)</u>
 Total Property and Equipment, net	 <u>\$ 16,375</u>	 <u>\$ 19,653</u>

Depreciation expense for fiscal years ended June 30, 2021 and 2020 was \$5,668 and \$2,934, respectively.

NOTE 6 – GAIN OF EXTINGUISHMENT OF DEBT – PPP LOAN

On April 22, 2020, the Foundation received loan proceeds in the amount of \$95,000 under the Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

On October 8, 2020, the loan has been forgiven in full and the Foundation recognized gain on extinguishment of debt.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 2021 and 2020. The total amount of gift principal received under these agreements to date is \$640,723. The Foundation had annuities payable of \$33,708 at June 30, 2021 and \$35,521 at June 30, 2020, 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, 2021 and 2020. The payout percentage is 6.2% of the original funds received for the remaining annuitant at June 30, 2021 and 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, 2021 and 2020 was \$72,434 and \$69,448, respectively. Annuity payments of \$6,200 and \$7,415 were made in 2021 and 2020, 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:

2022	\$ 945,886
2023	<u>162,197</u>
Total Grants Payable	1,108,083
Less: discount to net present value	<u>(6,976)</u>
Grants Payable	<u>\$ 1,101,107</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, 2021, the amount of the program and project support not reflected in the financial statements is \$80,355 and the amount of the budgeted scholarship awards is \$947,958 for a total of \$1,028,313.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020 was \$49,963 and \$48,846, respectively.

NOTE 10 – NET ASSETS

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

	2021	2020
Endowment corpus	\$ 16,668,010	\$ 16,566,473
Undistributed earnings on endowment	<u>10,798,712</u>	<u>5,762,315</u>
Total Endowment	<u>27,466,722</u>	<u>22,328,788</u>
 Purpose restricted net assets for scholarships, college advancement and capital improvements	 <u>5,004,073</u>	 <u>4,795,458</u>
 Total with donor restrictions	 <u>\$ 32,470,795</u>	 <u>\$ 27,124,246</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:

	2021	2020
Scholarships	\$ 1,395,082	\$ 1,629,740
Capital improvements	-	315,908
College advancement and other	<u>1,011,488</u>	<u>965,651</u>
 Total Net Assets Released from Restrictions	 <u>\$ 2,406,570</u>	 <u>\$ 2,911,299</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020) 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.
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NOTE 11 – ENDOWMENT FUNDS (Continued)

During the years ended June 30, 2021 and 2020, 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 purpose endowment and donor-restricted perpetual endowment net assets during June 30, 2021 and 2020 were reported as follows:

Endowment net assets,	
July 1, 2019	\$ 22,364,115
Contributions	308,933
Interest and dividend income	441,106
Realized and unrealized gains/(losses)	383,634
Investment fees	(306,479)
Amounts appropriated for expenditure	<u>(862,521)</u>
Endowment net assets,	
June 30, 2020	22,328,788
Contributions	101,537
Interest and dividend income	376,193
Realized and unrealized gains/(losses)	5,698,924
Investment fees	(316,277)
Amounts appropriated for expenditure	<u>(722,443)</u>
Endowment net assets,	
June 30, 2021	<u>\$ 27,466,722</u>

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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, 2021 and 2020, the Foundation's uninsured cash and cash equivalents balance totaled approximately \$350,000 and \$900,000, 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 – RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, the Foundation is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Foundation's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. The Foundation continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

NOTE 15 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 23, 2021, the date that the financial statements were available to be issued.