



Norwalk Community College Foundation, Inc.

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

For the Years Ended June 30, 2022 and 2021



NORWALK COMMUNITY COLLEGE FOUNDATION, INC.

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

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Norwalk Community College Foundation, Inc. (a not for profit organization),(the "Foundation"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Norwalk Community College Foundation, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Report on 2021 Financial Statements

The financial statements of Norwalk Community College Foundation, Inc. as of and for the year ended June 30, 2021, were audited by another auditor whose report dated September 23, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Norwalk Community College Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Norwalk Community College Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Mayer Hoffman McCann P.C.

Purchase, NY
September 12, 2022

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 5,870,738	\$ 4,671,914
Promises to give, net	33,000	26,500
Investments	26,579,054	31,084,945
Prepaid expenses	9,346	5,381
Property and equipment, net	13,729	16,375
 Total Assets	 \$ 32,505,867	 \$ 35,805,115
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 29,069	\$ 26,551
Annuities payable	33,378	33,708
Grants payable	1,464,103	1,101,107
Total Liabilities	1,526,550	1,161,366
Net Assets		
General	1,315,619	934,456
Board Designated funds	1,098,365	1,238,498
Total Net Assets Without Donor Restrictions	2,413,984	2,172,954
Total Net Assets With Donor Restrictions	28,565,333	32,470,795
Total Net Assets	30,979,317	34,643,749
 Total Liabilities and Net Assets	 \$ 32,505,867	 \$ 35,805,115

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, 2022**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Public Support and Revenue			
Contributions	\$ 1,027,863	\$ 2,395,713	\$ 3,423,576
In-kind contributions	24,710	-	24,710
Special event revenue	92,000	-	92,000
Special event expense	(42,029)	-	(42,029)
Investment return	(269,470)	(3,652,032)	(3,921,502)
Net assets released from restrictions	2,649,143	(2,649,143)	-
Total Public Support and Revenue	3,482,217	(3,905,462)	(423,245)
Functional Expenses			
Program			
Scholarships	1,017,767	-	1,017,767
College advancement	1,579,739	-	1,579,739
Total Program Expenses	2,597,506	-	2,597,506
Supporting Services			
Management and general	299,901	-	299,901
Development	343,780	-	343,780
Total Functional Expenses	3,241,187	-	3,241,187
<u>CHANGE IN NET ASSETS</u>	241,030	(3,905,462)	(3,664,432)
Net assets - beginning of year	2,172,954	32,470,795	34,643,749
Net assets - end of year	\$ 2,413,984	\$ 28,565,333	\$ 30,979,317

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**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
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	<u>2,406,570</u>	<u>(2,406,570)</u>	<u>-</u>
Total Public Support and Revenue	<u>3,379,607</u>	<u>5,346,549</u>	<u>8,726,156</u>
Functional Expenses			
Program			
Scholarships	1,579,048	-	1,579,048
College advancement	<u>864,500</u>	<u>-</u>	<u>864,500</u>
Total Program Expenses	2,443,548	-	2,443,548
Supporting Services			
Management and general	234,262	-	234,262
Development	<u>296,804</u>	<u>-</u>	<u>296,804</u>
Total Functional Expenses	<u>2,974,614</u>	<u>-</u>	<u>2,974,614</u>
<u>CHANGE IN NET ASSETS</u>	404,993	5,346,549	5,751,542
Net assets - beginning of year	<u>1,767,961</u>	<u>27,124,246</u>	<u>28,892,207</u>
Net assets - end of year	<u>\$ 2,172,954</u>	<u>\$ 32,470,795</u>	<u>\$ 34,643,749</u>

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

2022

	<u>PROGRAM</u>			<u>SUPPORTING SERVICES</u>		<u>TOTAL FUNCTIONAL EXPENSES</u>
	<u>SCHOLARSHIPS</u>	<u>COLLEGE ADVANCEMENT</u>	<u>TOTAL PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	
Salaries and benefits	\$ 155,873	\$ 139,256	\$ 295,129	\$ 202,810	\$ 272,382	\$ 770,321
Support to Norwalk Community College	832,382	1,088,584	1,920,966	-	-	1,920,966
Support to Center for Science, Health and Wellness	-	289,296	289,296	-	-	289,296
Consultants-student coaching and support	7,881	45,043	52,924	-	-	52,924
Consultants and professional fees	-	-	-	75,874	-	75,874
Office operations, special events and miscellaneous	21,631	17,560	39,191	21,217	113,427	173,835
Less: campaign special event expenses recorded on statement of activities	-	-	-	-	(42,029)	(42,029)
Total Functional Expenses	\$ 1,017,767	\$ 1,579,739	\$ 2,597,506	\$ 299,901	\$ 343,780	\$ 3,241,187

2021

	<u>PROGRAM</u>			<u>SUPPORTING SERVICES</u>		<u>TOTAL FUNCTIONAL EXPENSES</u>
	<u>SCHOLARSHIPS</u>	<u>COLLEGE ADVANCEMENT</u>	<u>TOTAL PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	
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
Support to Center for Science, Health and Wellness	-	171,429	171,429	-	-	171,429
Consultants-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
Total Functional Expenses	\$ 1,579,048	\$ 864,500	\$ 2,443,548	\$ 234,262	\$ 296,804	\$ 2,974,614

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,664,432)	\$ 5,751,542
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Realized and unrealized loss (gains) on investments	4,366,176	(5,919,256)
Gain on Extinguishment of Debt - PPP Loan	-	(95,000)
Depreciation	2,646	5,668
Contributions with perpetual donor restrictions	(119,461)	(101,537)
Changes in Operating Assets and Liabilities:		
Promises to give	(6,500)	103,500
Prepaid expenses	(3,965)	(450)
Accounts payable	2,518	(8,669)
Grants payable	362,996	(187,226)
Total Adjustments	4,604,410	(6,202,970)
Net Cash Provided by (Used in) Operating Activities	939,978	(451,428)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,490,652	8,918,344
Purchase of investments	(2,350,937)	(6,374,592)
Purchase of property and equipment	-	(2,390)
Change in present value of future annuity payments	5,870	4,387
Net Cash Provided by Investing Activities	145,585	2,545,749
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with perpetual donor restrictions	119,461	101,537
Payments to annuitants	(6,200)	(6,200)
Net Cash Provided by Financing Activities	113,261	95,337
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	1,198,824	2,189,658
Cash and cash equivalents - beginning of year	4,671,914	2,482,256
Cash and cash equivalents - end of year	\$ 5,870,738	\$ 4,671,914

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – PURPOSE AND 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.

Contributions of Non-financial Assets: 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. Contributions of non-financial assets are measured at the fair value of the asset transferred to the Foundation or the liability cancelled or settled. Contributions of non-financial assets of \$24,710 and \$2,000 were made in 2022 and 2021, respectively.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – PURPOSE AND 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, 2022 and 2021, 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, 2022 AND 2021

NOTE 1 – PURPOSE AND 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 are consistently applied. The expenses that are allocated include salaries and benefits, office operations and miscellaneous, which are allocated on the basis of estimates of time and effort. Support to Norwalk Community College, Center for Science, Health and Wellness costs, student coaching and support, consultants and professional fees are expenses tracked by account across functions and directly allocated to the proper function.

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.

NOTE 2 – PROMISES TO GIVE

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

	2022	2021
Due within one year	\$ 31,000	\$ 23,500
Due between two and five years	2,000	3,000
Total Promises to Give	\$ 33,000	\$ 26,500

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.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,870,738	\$ 4,671,914
Promises to give, current portion	31,000	23,500
Investments	<u>26,579,054</u>	<u>31,084,945</u>
Subtotal financial assets at year end	32,480,792	35,780,359
Less amounts with limits on usage:		
With donor restrictions	(28,565,333)	(32,470,795)
Board designated funds	<u>(1,098,365)</u>	<u>(1,238,498)</u>
Total financial assets available for general use within one year	<u>\$ 2,817,094</u>	<u>\$ 2,071,066</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.

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:

	<u>June 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and equity funds	\$ 15,658,158	\$ -	\$ -	\$ 15,658,158
Fixed income funds	<u>10,813,293</u>	-	-	<u>10,813,293</u>
Investments measured at fair value	<u>\$ 26,471,451</u>	<u>\$ -</u>	<u>\$ -</u>	26,471,451
Investments measured at NAV as a practical expedient				<u>107,603</u>
Total assets at fair value				<u>\$ 26,579,054</u>
	<u>June 30, 2021</u>			
	<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>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – INVESTMENTS (Continued)

The following tables summarize investments measured at fair value based on net asset value (NAV) per share:

June 30, 2022

	<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	\$ 107,603	N/A	N/A	N/A
	<u>\$ 107,603</u>			

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	\$ 723,770	N/A	Quarterly	65 Calendar days
	<u>\$ 723,770</u>			

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).

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 67,870	\$ 67,870
Less: accumulated depreciation	<u>(54,141)</u>	<u>(51,495)</u>
Total Property and Equipment, net	<u>\$ 13,729</u>	<u>\$ 16,375</u>

Depreciation expense for years ended June 30, 2022 and 2021 was \$2,646 and \$5,668, respectively.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities and change in net assets included the following at June 30:

	2022	2021
Furniture	\$ 24,710	\$ -
Professional services	-	2,000
 Total Contributed Nonfinancial Assets	 \$ 24,710	 \$ 2,000

Donated furniture was measured at the fair value of the asset transferred to the Foundation. Professional services recognized comprise of adverting service. these services were valued and reported at the estimated fair value in the financial statements based on current rates for similar advertising services.

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 2022 and 2021. The total amount of gift principal received under these agreements to date is \$640,723. The Foundation had annuities payable of \$33,378 at June 30, 2022 and \$33,708 at June 30, 2021, 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, 2022 and 2021. The payout percentage is 6.2% of the original funds received for the remaining annuitant at June 30, 2022 and 2021. 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, 2022 and 2021 was \$57,397 and \$72,434, respectively. Annuity payments of \$6,200 were made both in 2022 and 2021.

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:

2023	\$ 1,256,646
2024	212,021
 Total Grants Payable	 1,468,667
 Less: discount to net present value	 (4,564)
 Grants Payable	 \$ 1,464,103

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 – 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, 2022, the amount of the program and project support not reflected in the financial statements is \$237,500 and the amount of the budgeted scholarship awards is \$1,250,000 for a total of \$1,487,500.

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, 2022 and 2021 was \$48,957 and \$49,963, respectively.

NOTE 10 – NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Endowment corpus	\$ 16,483,051	\$ 16,668,010
Undistributed earnings on endowment	<u>6,387,593</u>	<u>10,798,712</u>
Total Endowment	<u>22,870,644</u>	<u>27,466,722</u>
Purpose restricted net assets for scholarships, college advancement and capital improvements	<u>5,694,689</u>	<u>5,004,073</u>
Total with donor restrictions	<u>\$ 28,565,333</u>	<u>\$ 32,470,795</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>2022</u>	<u>2021</u>
Scholarships	\$ 836,676	\$ 1,395,082
College advancement and other	<u>1,812,467</u>	<u>1,011,488</u>
Total Net Assets Released from Restrictions	<u>\$ 2,649,143</u>	<u>\$ 2,406,570</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021) 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, 2022 and 2021, 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, 2022 and 2021 were reported as follows:

Endowment net assets,

July 1, 2020	\$ 22,328,788
Contributions	101,537
Interest and dividend income	376,193
Realized and unrealized gains	5,698,924
Investment fees	(316,277)
Amounts appropriated for expenditure	<u>(722,443)</u>

Endowment net assets,

June 30, 2021	27,466,722
Contributions	119,461
Interest and dividend income	481,139
Realized and unrealized losses	(3,796,232)
Investment fees	(329,431)
Amounts appropriated for expenditure	(434,045)
Donor approved reclassification out of endowment fund	<u>(636,970)</u>

Endowment net assets,

June 30, 2022	<u>\$ 22,870,644</u>
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NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
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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, 2022 and 2021, the Foundation's uninsured cash and cash equivalents balance totaled approximately \$-0- and \$350,000, 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 an 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

Management has evaluated subsequent events through September 12, 2022, the date that the financial statements were available to be issued.