

North Central  
Michigan College  
Foundation



Year Ended  
June 30, 2022

Financial  
Statements

**Rehmann**

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

February 2, 2023

Board of Directors  
North Central Michigan College Foundation  
Petoskey, Michigan

### **Opinion**

We have audited the accompanying financial statements of **North Central Michigan College Foundation** (the "Foundation"), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **North Central Michigan College Foundation** 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. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Restatement**

As more fully described in Note 8 to the accompanying financial statements, the beginning net assets included in the fiscal 2022 financial statements has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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



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

***Independent 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 generally accepted auditing standards, 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in cursive script that reads "Lehmann Lobson LLC".

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Statement of Financial Position

June 30, 2022

### Assets

Cash and cash equivalents	\$ 252,121
Investments	10,102,813
Pledges receivable, net	<u>1,334,157</u>

### Total assets

\$ 11,689,091

### Liabilities

Due to College (equal to total liabilities)	<u>\$ 2,361</u>
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### Net assets

Without donor restrictions	2,922,497
With donor restrictions	<u>8,764,233</u>

### Total net assets

11,686,730

### Total liabilities and net assets

\$ 11,689,091

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

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Contributions	\$ 1,363,629	\$ 1,895,445	\$ 3,259,074
In-kind contributions - North Central Michigan College	228,487	-	228,487
Net investment loss	(565,822)	(808,457)	(1,374,279)
Net assets released from restrictions	1,757,639	(1,757,639)	-
<b>Total revenues and support</b>	<b>2,783,933</b>	<b>(670,651)</b>	<b>2,113,282</b>
<b>Expenses</b>			
Program services			
Grants	1,784,970	-	1,784,970
Supporting services			
Management and general - contracted services	364,698	-	364,698
Fundraising - contracted services	129,290	-	129,290
<b>Total expenses</b>	<b>2,278,958</b>	<b>-</b>	<b>2,278,958</b>
<b>Increase (decrease) in net assets before equity transfer from North Central Michigan College</b>	<b>504,975</b>	<b>(670,651)</b>	<b>(165,676)</b>
Equity transfer from North Central Michigan College (Note 1)	13,078	-	13,078
Increase (decrease) in net assets	518,053	(670,651)	(152,598)
Net assets, beginning of year, as restated (Note 8)	2,404,444	9,434,884	11,839,328
<b>Net assets, end of year</b>	<b>\$ 2,922,497</b>	<b>\$ 8,764,233</b>	<b>\$ 11,686,730</b>

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

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Statement of Cash Flows

Year Ended June 30, 2022

<b>Cash flows from operating activities</b>	
Cash received from contributors	\$ 3,357,293
Interest and dividends received, net of fees	240,915
Cash paid for grants and other expenses	<u>(2,037,391)</u>
<b>Net cash provided by operating activities</b>	<b><u>1,560,817</u></b>
<b>Cash flows from investing activities</b>	
Purchases of investments	(3,196,092)
Proceeds from sales and maturities of investments	<u>1,323,493</u>
<b>Net cash used in investing activities</b>	<b><u>(1,872,599)</u></b>
<b>Cash flows from financing activities</b>	
Cash contributions restricted for endowments	<u>142,184</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(169,598)</b>
Cash and cash equivalents, beginning of year	<u>421,719</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 252,121</u></b>
<b>Reconciliation of changes in net assets to net cash flows from operating activities:</b>	
Decrease in net assets	\$ (152,598)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Net realized and unrealized losses on investments	1,615,286
Decrease in pledges receivable	239,475
Increase in due to College	838
Contributions restricted for endowments	<u>(142,184)</u>
<b>Net cash flows from operating activities</b>	<b><u>\$ 1,560,817</u></b>

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

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

### 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Organization*

**North Central Michigan College Foundation** (the "Foundation") is a Michigan nonprofit Corporation organized on a nonstock membership basis. North Central Michigan College (the "College") is the only member of this Corporation. The purpose of the Foundation is to provide support for the objectives and purposes of North Central Michigan College.

#### *Risks and Economic Uncertainties*

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. As a result, the COVID-19 outbreak is disrupting and affecting the Foundation's normal activities. The extent of the ultimate impact of the pandemic on the Foundation's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on donors, employees, and other constituents, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Foundation for providing immediate financial support and/or services to its program recipients. As a result, the Foundation has made operational changes, including canceling, shortening or limiting attendance to events, eliminating certain services and changing other services in order to comply with state and local legal requirements. While management reasonably expects the COVID-19 outbreak to impact the Foundation's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and the statement of activities.

#### *Basis of Presentation*

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.



# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

Net assets, revenues, support, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Foundation 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 year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the assumptions to determine the fair value of the Foundation's investments.

### ***Contributions***

The Foundation's contributions, including unconditional promises to give, are reported as revenue when received and measured at fair value. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions is established based on an estimated percentage of total contributions receivable, past history of collection, and future expectation for collection of various accounts. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

### *Cash and Cash Equivalents*

Cash and cash equivalents include amounts on deposit with a local financial institution, including certificates of deposit and money market investments, except that such investments purchased with endowment assets are classified as investments. Cash equivalents include money market funds and other short-term, highly liquid investments which are invested or renewed for periods of three months or less, and are carried at cost which approximates fair value. The Foundation maintains its deposits in established financial institutions, which at times may exceed the federally insured limits. Management does not believe the Foundation is exposed to any significant interest rate or other financial risks as a result of these deposits.

### *Investments*

Investment securities purchased are initially recorded at cost and investment securities received by gift are initially recorded at fair value at the date of donation. Thereafter, the carrying values of such investments are adjusted to fair values which are determined using published exchange market quotations where applicable or estimated fair values provided by external investment managers or other sources. Income from investments, including realized and unrealized gains and losses, is accounted for as revenue of the without donor restrictions net asset class unless restricted by the donor or stipulated by law. Investment income is reported net of investment expenses.

Pooled endowment funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values.

### *Fair Value Measurements*

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

A description of each category in the fair value hierarchy is as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 3 to the financial statements.

### ***Functional Allocation of Expenses***

The Foundation allocates certain operating expenses on a functional basis among its program and support services. Expenses are generally allocated between program services and supporting services based on specific identification. Expenses which apply to more than one functional category have been allocated among the respective function based upon the time spent on these functions by specific employees as estimated by management and specific usage of the expenses and applied on a consistent basis.

### ***In-kind Personnel Services from North Central Michigan College***

The Foundation records professional services provided by the College at the College's cost of the services. For the year ended June 30, 2022, the Foundation received services in the amount of \$13,078. This amount is based on an estimate of time spent by College staff assisting with the Foundation operations and are presented as an equity transfer and as in-kind personnel services in the accompanying statement of activities.

### ***Income Taxes***

The Internal Revenue Service ruled that the Foundation is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Foundation is required to operate in conformity with the Code and related regulations to maintain its exemption. Only unrelated business income, if any, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

The Foundation considers whether it has engaged in activities that jeopardize its current tax exempt status with the Internal Revenue Service. Furthermore, the Foundation determines whether it has any unrelated business income, which may be subject to federal and state income taxes. The Foundation treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its other management and general expenses.

The Foundation has evaluated tax years 2019 through 2022, the years which remain subject to examination by major tax jurisdictions as of June 30, 2022. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2022, and it is not aware of any claims for such amounts by federal or state income tax authorities.

### ***New Accounting Pronouncement***

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Presentation and Disclosures by Not for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021. The Foundation adopted the standard on July 1, 2021. The standard did not have a material impact on the basic financial statements and the Foundation has updated disclosures as necessary (see the Contributions section above and Note 7 Related Party Activity and Gifts In-Kind).

### ***Subsequent Events***

In preparing these financial statements, Foundation management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2022, the statement of financial position presented herein, through February 2, 2023, the date these financial statements were available to be issued. No significant such events or transactions were identified.

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of the financial position date, comprise the following as of June 30, 2022:

<b>Financial assets</b>	
Cash and cash equivalents	\$ 252,121
Investments	10,102,813
Pledge receivables, net	<u>1,334,157</u>
<b>Total financial assets</b>	<b>11,689,091</b>
<b>Less amounts unavailable for general expenditures within one year due to:</b>	
Subject to appropriation and satisfaction of donor restrictions	<u>(8,764,233)</u>
<b>Total financial assets available to meet cash needs for general expenditure within one year</b>	<b><u>\$ 2,924,858</u></b>

As part of the Foundations liquidity plan, there is an annual distribution from Foundation investments subject to annual spending policy as described in Note 6.

### 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies used for assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2022.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*Investment securities:* Recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or money market funds. Shares held in mutual funds are valued at the net asset value ("NAV") of shares held by the Foundation at year end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

## NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

### Notes to Financial Statements

Investments consist of the following amounts at June 30, 2022:

Equity securities	\$ 5,798,940
Fixed income securities	3,604,053
Real estate	269,869
Commodities	251,746
Alternative strategies	<u>178,205</u>
<b>Total investments</b>	<b><u>\$ 10,102,813</u></b>

#### 4. PLEDGES RECEIVABLE

Pledges receivable consist of pledges for the Building Tomorrow Together campaign and for providing nursing scholarships. They have been discounted at a 3.60% annual rate of interest for the year ended June 30, 2022. Pledges receivable, representing unconditional promises to give, are as follows at June 30, 2022:

Receivable in less than one year	\$ 31,250
Receivable in one to five years	1,450,020
Less present value discount	<u>(147,113)</u>
<b>Pledges receivable, net</b>	<b><u>\$ 1,334,157</u></b>

During the year ended June 30, 2021, the Foundation received a conditional promise to give in the amount of \$150,000 which is contingent upon management's decision and approval of potential construction to the entrance of campus. Conditional promises to give are not recognized in the statement of financial position until the conditions have been met.

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

Subject to expenditure for a specified purpose:	
Building Tomorrow Together Campaign	\$ 517,968
Scholarships	5,563,699
Nursing Department	50,713
Student Emergency Fund	42,813
Early Childhood Education	102,048
Athletics	217,000
Other	212,850
Total subject to expenditure for a specified purpose	<u>6,707,091</u>
Endowment funds:	
Subject to appropriation and expenditure	
when a specific event occurs:	
Held for funding EMS, Allied Health	
scholarships, and Nursing program needs	821,783
Subject to appropriation and expenditure	
over the passage of time:	
Scholarships	894,173
Perpetual in nature, earnings from which	
are subject to endowment spending	
policy and appropriation:	
Harris Garden Fund	112,216
Community Outreach	599,206
Total endowment funds prior to underwater endowments	<u>2,427,378</u>
Underwater endowments	<u>(370,236)</u>
Total endowment funds	<u>2,057,142</u>
<b>Total</b>	<b><u>\$ 8,764,233</u></b>

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors were as follows during the year ended June 30, 2022:

Purpose restriction accomplished	
Building Tomorrow Together Campaign	\$ 1,283,460
Scholarships	437,788
EMS scholarships and program support	19,208
Community Outreach	1,155
Nursing Department	5,869
Student Emergency Fund	5,000
Early Childhood Education	1,500
Other	3,659
	<hr/>
<b>Total net assets released from restrictions</b>	<b><u><u>\$ 1,757,639</u></u></b>

## 6. ENDOWMENT NET ASSETS

The Foundation's endowment consists of six donor restricted funds established for a variety of purposes. Its endowment includes four term endowments and two permanent endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence of absence of donor-imposed restrictions. The Foundation manages its endowments on a pooled basis, and earnings on the pooled investments are allocated on a pro rata basis to each of the funds.

### *Interpretation of Relevant Law*

The Board of Directors of the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift 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 (a) the original value of gifts donated to the permanent or term endowment, (b) the original value of subsequent gifts to the permanent or term endowment, and (c) accumulations to the permanent or term endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowments that isn't included in permanent or term endowment funds is classified as net assets with donor restrictions until those amounts would be appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:



# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted net assets may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund. The Foundation has interpreted SPMIFA to permit spending from underwater net assets in accordance with prudent measures required under law. At June 30, 2022, funds with original gift values of \$2,315,162, fair values of \$1,944,926, and deficiencies of \$370,236 were reported in net assets with donor restrictions. These deficiencies resulted from significantly unfavorable market fluctuations. Management believes that these deficiencies are temporary in anticipation of a future recovery in the market.

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2022:

Endowment funds with donor restrictions:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,415,162
Accumulated investment (loss) earnings	<u>(358,020)</u>
<b>Total Funds</b>	<b><u>\$ 2,057,142</u></b>

Changes in endowment net assets all of which are donor restricted for the years ended June 30:

	Term Endowment	Permanent Endowment	Total
<b>Balance - July 1, 2021</b>	<b>\$ 1,436,447</b>	<b>\$ 748,756</b>	<b>\$ 2,185,203</b>
Contributions	141,684	500	142,184
Net depreciation and investment income	(166,618)	(83,264)	(249,882)
Amounts appropriated for expenditure	<u>(19,208)</u>	<u>(1,155)</u>	<u>(20,363)</u>
<b>Balance - June 30, 2022</b>	<b><u>\$ 1,392,305</u></b>	<b><u>\$ 664,837</u></b>	<b><u>\$ 2,057,142</u></b>

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

### *Return Objective and Risk Parameters*

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted endowment funds. Under this policy, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 5% net of inflation and investment expenses annually. Actual returns in any given year may vary from this range.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy*

Certain endowments are subject to various spending policies held by the Foundation. The Foundation does not have a general spending policy for endowments and scholarships that lack a specific policy.

A contribution of \$100,000 was received from the Jack Harris Trust during the fiscal year ended June 30, 2014. The contribution was to establish an endowment fund for the perpetual care of the Jack Harris Gardens. The balance restricted in perpetuity was \$100,000 at June 30, 2022.

During the fiscal years ended June 30, 2016 - 2021, contributions totaling \$598,706 were received to establish and continue to increase the Postle Community Outreach Fund. The Foundation received an additional \$500 to be added to the Postle Community Outreach Fund for the year ended June 30, 2022. The earnings from these endowment funds are restricted for outreach programs. The balance restricted in perpetuity was \$599,206 at June 30, 2022.

During the year ended June 30, 2020, the Board of Directors motioned to endow the Allied EMS Systems fund, a fund that was established by a purpose-restricted contribution in the fiscal year ended June 30, 2016. The fund value at June 30, 2022 was \$272,471. The endowment was subject to a spending policy prior to 2022 and is restricted for EMS Scholarships and program support. The endowment is not subject to any specific spending threshold in fiscal year 2022.

During the year ended June 30, 2020, the Board of Directors motioned to endow the Barton Estate Nursing fund, a fund that was established by two purpose-restricted bequests in the fiscal years ended June 30, 2017 - 2018. The fund value at June 30, 2022 was \$581,021. The endowment is subject to a spending policy not to exceed \$20,000 annually and is restricted for nursing scholarships.

# NORTH CENTRAL MICHIGAN COLLEGE FOUNDATION

## Notes to Financial Statements

### 7. RELATED PARTY ACTIVITY AND GIFTS IN-KIND

The Foundation reimbursed the College for the following purposes during the year ended June 30, 2022:

Purpose:		
Personnel services	\$	245,807
Other grants, etc.		<u>231,028</u>
<b>Total</b>	<b>\$</b>	<b><u>476,835</u></b>

In addition to the personnel services described and disclosed in Note 1, North Central Michigan College provides supplies, equipment and office space to the Foundation. These in-kind contributions amounted to \$228,487 for the year ended June 30, 2022. The fair value of the donated use of office equipment and space is determined by an allocation of the actual costs to the College based on square footage utilized by the Foundation.

Services and cost expenses from the College have been allocated to functional expenses as follows for the year ended June 30, 2022:

Purpose:		
Personnel services	\$	81,033
Other including contracted consulting services, audit, rent, event supplies, printing, postage, etc.		<u>147,454</u>
<b>Total</b>	<b>\$</b>	<b><u>228,487</u></b>

### 8. RESTATEMENT

During the year ended June 30, 2022, it was determined by management that the amounts previously reported as endowed scholarships payable should not have been included as liabilities of the Foundation based on the nature of the donations, but rather as net assets with donor restrictions. As such, the Foundation has restated the beginning net assets as of July 1, 2021. There was no impact from the misstatement on the June 30, 2021 statement of activities.

The following table outlines the impact from the misstatement on the previously issued June 30, 2021 financial statements:

	As Previously Reported	As Restated	Effect of Change
Endowed scholarships payable	\$ 5,293,034	\$ -	\$ (5,293,034)
Net assets with donor restrictions	\$ 4,141,850	\$ 9,434,884	\$ 5,293,034

