

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

**DYLEWSKY, GOLDBERG & BRENNER, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**

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Dylewsky, Goldberg & Brenner, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Norwalk Community College Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 controls 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 controls. 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 December 31, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Dylewsky, Goldberg &amp; Brenner, LLC".

Dylewsky, Goldberg & Brenner, LLC  
Stamford, Connecticut

February 8, 2016

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

|                                      | <b>2015</b>          | <b>2014</b>          |
|--------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                        |                      |                      |
| Cash and cash equivalents            | \$ 3,363,263         | \$ 1,967,034         |
| Pledges receivable, net - Note 2     | 543,285              | 676,487              |
| Note receivable - Note 6             | 409,800              | 419,800              |
| Investments - Note 3                 | 21,810,975           | 25,427,101           |
| Beneficial interest - Note 6         | 0                    | 310,000              |
| Property and equipment, net - Note 4 | 27,053               | 33,681               |
|                                      | <b>\$ 26,154,376</b> | <b>\$ 28,834,103</b> |
| <b>LIABILITIES AND NET ASSETS</b>    |                      |                      |
| <b>Liabilities</b>                   |                      |                      |
| Accounts payable                     | \$ 25,281            | \$ 22,152            |
| Annuities payable - Note 5           | 54,762               | 151,202              |
| Grants payable - Note 7              | 1,082,134            | 1,650,875            |
| Other liabilities - Note 6           | 206,196              | 219,009              |
| Total Liabilities                    | 1,368,373            | 2,043,238            |
| <b>Net Assets</b>                    |                      |                      |
| Unrestricted                         | 798,857              | 848,556              |
| Temporarily restricted - Note 9      | 7,681,169            | 9,724,800            |
| Permanently restricted               | 16,305,977           | 16,217,509           |
| Total Net Assets                     | 24,786,003           | 26,790,865           |
|                                      | <b>\$ 26,154,376</b> | <b>\$ 28,834,103</b> |

See accompanying notes to financial statements.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

|  | <u>UNRESTRICTED<br/>GENERAL</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>             |
|--|---------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>Public Support and Revenue</b>              |                                 |                                   |                                   |                          |
| Contributions                                  | \$ 627,109                      | \$ 980,226                        | \$ 79,357                         | \$ 1,686,692             |
| Returned contributions                         | 0                               | (350,000)                         | 0                                 | (350,000)                |
| Investment income (loss) - Note 3              | 17,429                          | (784,493)                         | (14,903)                          | (781,967)                |
| Gain on sale of beneficial interest            | 0                               | 80,354                            | 0                                 | 80,354                   |
| Net assets released from restrictions - Note 9 | <u>1,962,718</u>                | <u>(1,962,718)</u>                | <u>0</u>                          | <u>0</u>                 |
| <br>Total Public Support and Revenue           | <br><u>2,607,256</u>            | <br><u>(2,036,631)</u>            | <br><u>64,454</u>                 | <br><u>635,079</u>       |
| <br><b>Functional Expenses</b>                 |                                 |                                   |                                   |                          |
| Scholarships                                   | 986,673                         | 0                                 | 0                                 | 986,673                  |
| College advancement                            | 961,577                         | 0                                 | 0                                 | 961,577                  |
| Management and general                         | 321,542                         | 0                                 | 0                                 | 321,542                  |
| Development                                    | <u>370,149</u>                  | <u>0</u>                          | <u>0</u>                          | <u>370,149</u>           |
| <br>Total Functional Expenses                  | <br><u>2,639,941</u>            | <br><u>0</u>                      | <br><u>0</u>                      | <br><u>2,639,941</u>     |
| <br><b><u>CHANGE IN NET ASSETS</u></b>         | <br>(32,685)                    | <br>(2,036,631)                   | <br>64,454                        | <br>(2,004,862)          |
| Net assets - beginning of year                 | 848,556                         | 9,724,800                         | 16,217,509                        | 26,790,865               |
| Net asset transfer                             | <u>(17,014)</u>                 | <u>(7,000)</u>                    | <u>24,014</u>                     | <u>0</u>                 |
| <br>Net assets - end of year                   | <br><u>\$ 798,857</u>           | <br><u>\$ 7,681,169</u>           | <br><u>\$ 16,305,977</u>          | <br><u>\$ 24,786,003</u> |

See accompanying notes to financial statements.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2014**

|  | <u>UNRESTRICTED<br/>GENERAL</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>         |
|--|---------------------------------|-----------------------------------|-----------------------------------|----------------------|
| <b>Public Support and Revenue</b>              |                                 |                                   |                                   |                      |
| Contributions                                  | \$ 481,699                      | \$ 1,570,355                      | \$ 67,827                         | \$ 2,119,881         |
| Investment income (loss) - Note 3              | 125,912                         | 922,647                           | (26,649)                          | 1,021,910            |
| Net assets released from restrictions - Note 9 | 2,105,683                       | (2,105,683)                       | 0                                 | 0                    |
|  | <u>2,713,294</u>                | <u>387,319</u>                    | <u>41,178</u>                     | <u>3,141,791</u>     |
| <b>Functional Expenses</b>                     |                                 |                                   |                                   |                      |
| Scholarships                                   | 1,194,267                       | 0                                 | 0                                 | 1,194,267            |
| College advancement                            | 933,345                         | 0                                 | 0                                 | 933,345              |
| Management and general                         | 271,924                         | 0                                 | 0                                 | 271,924              |
| Development                                    | 349,910                         | 0                                 | 0                                 | 349,910              |
|  | <u>2,749,446</u>                | <u>0</u>                          | <u>0</u>                          | <u>2,749,446</u>     |
|  | (36,152)                        | 387,319                           | 41,178                            | 392,345              |
| <b><u>CHANGE IN NET ASSETS</u></b>             |                                 |                                   |                                   |                      |
| Net assets - beginning of year                 | <u>884,708</u>                  | <u>9,337,481</u>                  | <u>16,176,331</u>                 | <u>26,398,520</u>    |
| Net assets - end of year                       | <u>\$ 848,556</u>               | <u>\$ 9,724,800</u>               | <u>\$ 16,217,509</u>              | <u>\$ 26,790,865</u> |

See accompanying notes to financial statements.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**2015**

|  | <u>PROGRAM</u>      |                                |                          | <u>SUPPORTING SERVICES</u>        |                    | <u>TOTAL<br/>FUNCTIONAL<br/>EXPENSES</u> |
|--|---------------------|--------------------------------|--------------------------|-----------------------------------|--------------------|--|
|  | <u>SCHOLARSHIPS</u> | <u>COLLEGE<br/>ADVANCEMENT</u> | <u>TOTAL<br/>PROGRAM</u> | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>DEVELOPMENT</u> |  |
| Salaries and benefits                          | \$ 140,208          | 84,053                         | \$ 224,261               | \$ 189,627                        | \$ 272,871         | \$ 686,759                               |
| Support to Norwalk Community College           | 845,471             | 854,788                        | 1,700,259                | 0                                 | 0                  | 1,700,259                                |
| Center for Science, Health, and Wellness costs | 0                   | 22,405                         | 22,405                   | 0                                 | 0                  | 22,405                                   |
| Consultants and professional fees              | 0                   | 0                              | 0                        | 64,610                            | 0                  | 64,610                                   |
| Office operations and miscellaneous            | 994                 | 331                            | 1,325                    | 67,305                            | 97,278             | 165,908                                  |
|  | <u>\$ 986,673</u>   | <u>\$ 961,577</u>              | <u>\$ 1,948,250</u>      | <u>\$ 321,542</u>                 | <u>\$ 370,149</u>  | <u>\$ 2,639,941</u>                      |
| Total Functional Expenses                      | <u>\$ 986,673</u>   | <u>\$ 961,577</u>              | <u>\$ 1,948,250</u>      | <u>\$ 321,542</u>                 | <u>\$ 370,149</u>  | <u>\$ 2,639,941</u>                      |

**2014**

|  | <u>PROGRAM</u>      |                                |                          | <u>SUPPORTING SERVICES</u>        |                    | <u>TOTAL<br/>FUNCTIONAL<br/>EXPENSES</u> |
|--|---------------------|--------------------------------|--------------------------|-----------------------------------|--------------------|--|
|  | <u>SCHOLARSHIPS</u> | <u>COLLEGE<br/>ADVANCEMENT</u> | <u>TOTAL<br/>PROGRAM</u> | <u>MANAGEMENT<br/>AND GENERAL</u> | <u>DEVELOPMENT</u> |  |
| Salaries and benefits                          | \$ 123,799          | 85,282                         | \$ 209,081               | \$ 130,637                        | \$ 305,353         | \$ 645,071                               |
| Support to Norwalk Community College           | 1,067,925           | 425,280                        | 1,493,205                | 0                                 | 0                  | 1,493,205                                |
| Center for Science, Health, and Wellness costs | 0                   | 400,407                        | 400,407                  | 0                                 | 0                  | 400,407                                  |
| Consultants and professional fees              | 1,250               | 22,000                         | 23,250                   | 90,158                            | 0                  | 113,408                                  |
| Office operations and miscellaneous            | 1,293               | 376                            | 1,669                    | 51,129                            | 44,557             | 97,355                                   |
|  | <u>\$ 1,194,267</u> | <u>\$ 933,345</u>              | <u>\$ 2,127,612</u>      | <u>\$ 271,924</u>                 | <u>\$ 349,910</u>  | <u>\$ 2,749,446</u>                      |
| Total Functional Expenses                      | <u>\$ 1,194,267</u> | <u>\$ 933,345</u>              | <u>\$ 2,127,612</u>      | <u>\$ 271,924</u>                 | <u>\$ 349,910</u>  | <u>\$ 2,749,446</u>                      |

See accompanying notes to financial statements.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

|  | <b>2015</b>           | <b>2014</b>         |
|--|-----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                       |                     |
| Change in Net Assets   | <u>\$ (2,004,862)</u> | <u>\$ 392,345</u>   |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Used by Operating Activities: |                       |                     |
| Realized and unrealized losses (gains) on investments                                      | 1,470,819             | (405,468)           |
| Realized gain on sale of beneficial interest   | (80,354)              | 0                   |
| Depreciation   | 6,628                 | 5,801               |
| Permanently restricted contributions and interest income                                   | (116,248)             | (95,289)            |
| Changes in Operating Assets and Liabilities:   |                       |                     |
| Pledges receivable   | 133,202               | (465,987)           |
| Note receivable  | 10,000                | 0                   |
| Accounts payable   | 3,129                 | (19,353)            |
| Annuities payable  | (93,766)              | (5,366)             |
| Grants payable   | (568,741)             | 138,542             |
| Other liabilities  | (12,813)              | (6,716)             |
| Total Adjustments  | <u>751,856</u>        | <u>(853,836)</u>    |
| Net Cash Used by Operating Activities  | <u>(1,253,006)</u>    | <u>(461,491)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                       |                     |
| Sale (purchases) of investments, net   | 2,145,307             | (1,620,672)         |
| Purchase of property and equipment   | 0                     | (7,703)             |
| Proceeds from sale of beneficial interest  | 441,784               | 0                   |
| Cash paid for buyout of life interest  | (51,430)              | 0                   |
| Change in present value of future annuity payments   | 26,174                | 30,230              |
| Net Cash Provided (Used) by Investing Activities   | <u>2,561,835</u>      | <u>(1,598,145)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                       |                     |
| Permanently restricted contributions and interest income                                   | 116,248               | 95,289              |
| Payments to annuitants   | (28,848)              | (38,543)            |
| Net Cash Provided by Financing Activities  | <u>87,400</u>         | <u>56,746</u>       |
| <b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>                         | <u>1,396,229</u>      | <u>(2,002,890)</u>  |
| Cash and cash equivalents - beginning of year  | <u>1,967,034</u>      | <u>3,969,924</u>    |
| Cash and cash equivalents - end of year  | <u>\$ 3,363,263</u>   | <u>\$ 1,967,034</u> |

See accompanying notes to financial statements.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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 are presented in accordance with Financial Accounting Standards Board ("FASB") guidance. Under this guidance, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are recognized as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

**Revenue Recognition**

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

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

*Non-cash Contributions:* The Foundation receives some volunteer services in carrying out its programs and activities. Volunteers without specialized skills may perform various administrative and fundraising functions. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased if not donated. Non-cash contributions are measured at the fair value of the asset transferred to the Foundation or the liability cancelled or settled. There were no non-cash contributions in 2015 or 2014.

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Income Taxes**

The Foundation evaluates all significant tax positions in accordance with accounting principles generally accepted in the United States of America. As of December 31, 2015 and 2014, 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.

**Investment Securities**

Investment securities are recorded at fair value with unrealized gains and losses included in the Statements of Activities and Change in Net Assets. The Foundation reports investment income and gains and losses as increases or decreases in unrestricted net assets in the Statements of Activities and Change in Net Assets unless a donor or law temporarily or permanently restricts their use.

**Property and Equipment**

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

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Cash Equivalents**

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2015 and 2014 were \$543,285 and \$676,487, respectively. All pledges were deemed collectible at December 31, 2015 and 2014; accordingly, there is no allowance for doubtful accounts. During 2015, a second payment of \$350,000 from a 2014 pledge was not made based on early Norwalk Community College program results. This amount has been recorded as a returned contribution in the 2015 Statement of Activities and Change in Net Assets. Pledges were discounted at the rate of 1.6%. The net present value of pledges receivable are as follows:

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Pledges due within one year            | \$ 259,986        | \$ 533,500        |
| Pledges due between one and five years | <u>297,000</u>    | <u>150,000</u>    |
|  | 556,986           | 683,500           |
| Discount to present value              | <u>(13,701)</u>   | <u>(7,013)</u>    |
| Total Net Pledges Receivable           | \$ <u>543,285</u> | \$ <u>676,487</u> |

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 3 INVESTMENTS**

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

**December 31, 2015**

|   | <b><u>Level 1</u></b> | <b><u>Level 2</u></b> | <b><u>Level 3</u></b> | <b><u>Total</u></b>  |
|---|-----------------------|-----------------------|-----------------------|----------------------|
| Equities and equity funds                         | \$ 12,861,020         | \$ 0                  | \$ 0                  | \$ 12,861,020        |
| Fixed income funds<br>and certificates of deposit | 6,107,775             | 0                     | 0                     | 6,107,775            |
| Equity investment funds -<br>Royce Funds          | 995,005               | 0                     | 0                     | 995,005              |
| Equity investments -<br>Goodnow, Gray & Co.       | 0                     | 69,865                | 0                     | 69,865               |
| Alternative investments -<br>Neuberger Berman     | <u>0</u>              | <u>0</u>              | <u>1,777,310</u>      | <u>1,777,310</u>     |
| Total Investments                                 | <u>\$ 19,963,800</u>  | <u>\$ 69,865</u>      | <u>\$ 1,777,310</u>   | <u>\$ 21,810,975</u> |

**December 31, 2014**

|   | <b><u>Level 1</u></b> | <b><u>Level 2</u></b> | <b><u>Level 3</u></b> | <b><u>Total</u></b>  |
|---|-----------------------|-----------------------|-----------------------|----------------------|
| Equities and equity funds                         | \$ 13,919,280         | \$ 0                  | \$ 0                  | \$ 13,919,280        |
| Fixed income funds<br>and certificates of deposit | 8,496,547             | 0                     | 0                     | 8,496,547            |
| Equity investment funds -<br>Royce Funds          | 1,072,127             | 0                     | 0                     | 1,072,127            |
| Equity investments -<br>Goodnow, Gray & Co.       | 0                     | 121,234               | 0                     | 121,234              |
| Alternative investments -<br>Neuberger Berman     | <u>0</u>              | <u>0</u>              | <u>1,817,913</u>      | <u>1,817,913</u>     |
| Total Investments                                 | <u>\$ 23,487,954</u>  | <u>\$ 121,234</u>     | <u>\$ 1,817,913</u>   | <u>\$ 25,427,101</u> |

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 3 INVESTMENTS (continued)**

The following table presents a reconciliation of all Level 3 assets measured at fair value for the periods ending December 31, 2015 and 2014:

|                                    |                     |
|------------------------------------|---------------------|
| Beginning balance, January 1, 2014 | \$ 1,771,528        |
| Purchases                          | 0                   |
| Investment return                  | <u>46,385</u>       |
| Ending balance, December 31, 2014  | 1,817,913           |
| Purchases                          | 0                   |
| Investment return                  | <u>(40,603)</u>     |
| Ending Balance, December 31, 2015  | \$ <u>1,777,310</u> |

The Foundation's investment return consisted of the following for the years ended December 31:

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Interest and dividend income                             | \$ 856,388          | \$ 787,391          |
| Realized and unrealized gains<br>(losses) on investments | (1,470,819)         | 405,468             |
| Investment fees  | <u>(167,536)</u>    | <u>(170,949)</u>    |
| Total Investment Income (Loss)                           | \$ <u>(781,967)</u> | \$ <u>1,021,910</u> |

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

|                                   | <u>2015</u>      | <u>2014</u>      |
|-----------------------------------|------------------|------------------|
| Furniture and equipment           | \$ 46,391        | \$ 46,391        |
| Less: accumulated depreciation    | <u>(19,338)</u>  | <u>(12,710)</u>  |
| Total Property and Equipment, net | \$ <u>27,053</u> | \$ <u>33,681</u> |

**NORWALK COMMUNITY COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 5 ANNUITIES PAYABLE**

The Foundation has entered into charitable gift annuity agreements with several donors. The Foundation received funds from the donors in exchange for promises by the Foundation to pay fixed amounts in annuity payments to the donors for the remainder of their lives. No amounts were received from donor contributions during 2015 and 2014. In 2015 and 2014, the death of two annuitants in each year resulted in a reduction of the remaining liability by \$93,766 and \$5,366, respectively. The total amount of gift principal received under these agreements to date is \$640,723. The Foundation had annuities payable of \$54,762 at December 31, 2015 and \$151,202 at December 31, 2014 which recognize the present value of future annuity payments discounted at rates between 3.8% and 7.6% based upon the IRS discount rate for each gift. The payout percentages range from 6.2% to 9.2% of the original funds received. These funds are invested with a creditworthy trust company which invested the funds in money market and mutual funds. The fair market value of the funds at December 31, 2015 and 2014 was \$99,452 and \$273,480, respectively. Annuity payments of \$28,848 and \$38,543 were made in 2015 and 2014, respectively.

**NOTE 6 FUTURE INTERESTS**

The Foundation was the residual beneficiary of two New Canaan, Connecticut real properties from an estate: a commercial property and a residential property. In November 2004, an agreement was reached between the estate, the Foundation, and the life tenant to sell the commercial property. The Foundation received \$76,618 in cash and a mortgage note of \$725,900. As part of the agreement, the Foundation is required to make payments in lieu of rent on the property to the life tenant. The Foundation also agreed to a maximum contingency of \$100,000 with the new owner for any environmental remediation that may be required. This amount was recorded as a liability on the Statements of Financial Position. Through 2015, \$49,900 was paid for environmental remediation costs which reduced both the Foundation's contingency liability and the amount of the final principal payment on the note receivable.

The note receivable related to the commercial property provides for monthly interest payments of \$1,628 at an interest rate of prime plus 1%. Currently, the rate is 4.25%. An unscheduled principal payment of \$10,000 was collected in October 2015. Final principal payment on the note of \$409,800, as reduced by remediation costs incurred, is due in 2016. The balance of the note receivable at December 31, 2015 and 2014 was \$409,800 and \$419,800, respectively.

Related to the above agreement on the commercial property, a liability was recorded for the present value of the future payments. The liability is recalculated annually based upon life expectancy tables. The recalculation resulted in an unrealized loss on investment of \$6,041 and \$10,892 at December 31, 2015 and 2014 respectively. The liability was \$156,096 and \$168,909, respectively, at December 31, 2015 and 2014. This amount is included in other liabilities on the Statements of Financial Position. The liability is based on a discount rate of 5% and a life expectancy of the tenant of 4.6 years in 2015 and 4.9 years in 2014. Also included in other liabilities for both years is the remaining environmental remediation contingency of \$50,100. Required payments to the life tenant of the property began in

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**NOTE 6 FUTURE INTERESTS** (continued)

December 2004 and are currently \$3,973 per month, including interest, with a cost of living adjustment each September. In the past, these monthly payments have been offset by interest received on the note receivable. Although the future interest to be received on the note is lower, primarily due to the declining principal balance, the payments to the life tenant will continue to be partially offset by the interest received in 2016.

The Foundation entered an agreement with the life tenant of the residential property during 2015 for the sale of the property and buyout of her life interest. The property sold in 2015 and the net proceeds of the sale were \$452,293. Of that amount, the Foundation paid \$51,430 to the life tenant for her life interest and \$10,509 in legal and other related fees. The Foundation had previously valued and recorded their beneficial interest in the residential property using unobservable inputs (Level 3). The value was established based upon estimates provided by a local realtor of the market value of the property and the market value of potential monthly rental payments. The value was computed by reducing the estimated market value of the property by the present value of future rental payments over the life expectancy of the life tenant. At December 31, 2014, this value was \$310,000. As a result of the sale of the residential property, and buyout of the life interest, the Foundation realized a net gain of \$80,354 which is reported as a gain on the sale of beneficial interest in the 2015 Statement of Activities and Change in Net Assets.

**NOTE 7 GRANTS PAYABLE**

The Foundation has entered into various grant agreements with the College to support, among other things, an improvement in academic achievement and retention of students enrolled at the College, general scholarships, and support for the operations of the new Center for Science, Health, and Wellness. The expense has been included in support to Norwalk Community College in the Statements of Functional Expenses. The grants have been discounted at 1.6%. The Foundation has committed to the following payments over the next five years:

|                                     |                     |
|-------------------------------------|---------------------|
| 2016                                | \$ 994,266          |
| 2017                                | 90,000              |
| 2018                                | 0                   |
| 2019                                | 0                   |
| 2020                                | <u>0</u>            |
| Total Grants Payable                | 1,084,266           |
| Less: discount to net present value | <u>(2,132)</u>      |
| Grants Payable                      | <u>\$ 1,082,134</u> |

Additionally, the Foundation has budgeted funding for other college programs and projects; however, formal agreements have not been executed, the projects are contingent on future events, or the projects

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**NOTE 7 GRANTS PAYABLE** (continued)

are contingent on benchmark results in continuing programs. 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 December 31, 2015, the amount of this support not reflected in the financial statements is approximately \$225,000.

**NOTE 8 PENSION PLAN**

The Foundation has a Safe Harbor 401(k) plan. This plan requires the Foundation to match employee contributions equal to 100% of the first 2% of the participant's compensation. The Foundation has made a safe harbor, non-elective contribution equal to 7% of a participant's compensation. Total pension expense for the years ended December 31, 2015 and 2014 was \$44,625 and \$40,663, respectively.

**NOTE 9 NET ASSETS**

Temporarily restricted net assets of \$7,681,169 and \$9,724,800 at December 31, 2015 and 2014, respectively, were available to support the following programs: scholarships, college advancement, and capital improvements to the College.

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

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

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Scholarships                                | \$ 845,471          | \$ 1,067,675        |
| College advancement and other               | <u>1,117,247</u>    | <u>1,038,008</u>    |
| Total Net Assets Released from Restrictions | \$ <u>1,962,718</u> | \$ <u>2,105,683</u> |

**NOTE 10 ENDOWMENT FUNDS**

The Foundation's endowment consists of approximately 100 individual funds established primarily for scholarships. The endowment includes both donor-restricted funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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**NOTE 10 ENDOWMENT FUNDS** (continued)

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, the preservation of the fair value of the gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment as well as the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund, including investment gains and losses that are not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income including the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by the board of directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The primary emphasis of the investment policy is to safeguard and preserve the principal of the endowment after inflation. Accordingly, the investment process seeks to achieve a total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix which includes equities, fixed income, alternative investments, and cash equivalents. This mix is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution in accordance with the spending policy (4.5% in both 2015 and 2014) while growing the funds. Therefore, the Foundation's goal is for its endowment assets, over time, to produce a long-term real rate of return after inflation and net of fees. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to minimize exposure to unacceptable levels of risk. The Foundation reassesses its investment and spending policies annually.

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

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**NOTE 10 ENDOWMENT FUNDS (continued)**

In accordance with the Foundation's spending policy, the spending rate was 4.5% on all funds with balances in excess of 85% of the historical gift value. During the years ended December 31, 2015 and 2014, there were no fund balances below 85% of the historical gift value. These amounts were available primarily for scholarships and other programs, less 1% for an administrative fee. The administrative fee is assessed to fund expenses incurred in meeting the Foundation's fiduciary and fundraising responsibilities to donors and the College. Any unspent investment income generated from the endowments is recorded as temporarily restricted assets as directed by donor intent or applicable law. Amounts are released from temporarily restricted assets as allocated by the Foundation's board of directors. Under CUPMIFA, the Foundation, if it deems prudent, may allow spending that reduces permanently restricted assets below historical gift value with the intention of replenishing the assets in a future period when market conditions allow.

Changes in endowment net assets during December 31, 2015 and 2014 were reported as follows:

|  | <b>Endowment<br/>Temporarily<br/>Restricted</b> | <b>Endowment<br/>Permanently<br/>Restricted</b> | <b>Total Net<br/>Endowment<br/>Assets</b> |
|--|---|---|---|
| <b>Endowment net assets,<br/>January 1, 2014</b>   | <b>\$ 4,817,243</b>                             | <b>\$ 15,866,331</b>                            | <b>\$ 20,683,574</b>                      |
| Contributions                                      | 0   | 67,827  | 67,827                                    |
| Interest and dividend income                       | 627,998   | 19,962  | 647,960                                   |
| Realized and unrealized gains<br>(losses)          | 444,446   | (46,611)  | 397,835                                   |
| Investment fees                                    | (150,795)                                       | 0   | (150,795)                                 |
| Amounts appropriated for<br>expenditure            | <u>(780,898)</u>                                | <u>0</u>  | <u>(780,898)</u>                          |
| <b>Endowment net assets,<br/>December 31, 2014</b> | <b><u>4,957,994</u></b>                         | <b><u>15,907,509</u></b>                        | <b><u>20,865,503</u></b>                  |
| Contributions                                      | 0   | 79,357  | 79,357                                    |
| Interest and dividend income                       | 803,465   | 19,891  | 823,356                                   |
| Realized and unrealized losses                     | (1,343,613)                                     | (34,794)  | (1,378,407)                               |
| Investment fees                                    | (163,991)                                       | 0   | (163,991)                                 |
| Transfers  | 3,543,404                                       | 334,014   | 3,877,418                                 |
| Amounts appropriated for<br>expenditure            | <u>(1,330,870)</u>                              | <u>0</u>  | <u>(1,330,870)</u>                        |
| <b>Endowment net assets,<br/>December 31, 2015</b> | <b><u>\$ 6,466,389</u></b>                      | <b><u>\$ 16,305,977</u></b>                     | <b><u>\$ 22,772,366</u></b>               |

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**NOTE 10 ENDOWMENT FUNDS** (continued)

During 2015, the Board of Directors determined that amounts available from the campaign for the Center for Science, Health and Wellness should follow established spending policies for endowments and accordingly transferred the funds into the temporarily restricted endowment. The amounts in the preceding table as of December 31, 2014 do not include non-endowment permanently restricted net assets of \$310,000 representing the beneficial interest in property described in Note 7. The table also does not include non-endowment temporarily restricted net assets of \$1,214,780 in 2015 and \$4,766,806 in 2014 intended for capital improvements, college advancement, and scholarships.

**NOTE 11 CONCENTRATIONS**

The Foundation maintains cash balances at various financial institutions. Concentrations of credit risk result primarily from cash on deposit at these financial institutions in excess of Federal Deposit Insurance Corporation ("FDIC") limits. At times during the year, cash and cash equivalent balances may be in excess of FDIC coverage. At December 31, 2015, the Foundation's uninsured cash and cash equivalents balance totaled \$179,319.

**NOTE 12 INCOME TAXES**

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

**NOTE 13 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through February 8, 2016, the date that the financial statements were available to be issued.