

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2023 AND 2022

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.

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

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

685 Third Avenue
New York, NY 10017

Phone: 212.503.8800
mhmcpa.com





In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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.

Mayer Hoffman McCann CPAs

New York, NY
September 11, 2023

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 1E and 9)	\$ 468,120	\$ 566,443
Promises to give, net (Note 1F)	109,000	33,000
Investments (Notes 1G and 3)	34,632,399	31,883,349
Prepaid expenses	7,301	9,346
Property and equipment, net (Notes 1H and 4)	11,517	13,729
TOTAL ASSETS	\$ 35,228,337	\$ 32,505,867
LIABILITIES		
Accounts payable	\$ 30,125	\$ 29,069
Annuities payable	31,409	33,378
Refundable advances	107,308	-
Grants payable (Note 6)	1,972,719	1,464,103
TOTAL LIABILITIES	2,141,561	1,526,550
NET ASSETS		
Undesignated fund	2,025,745	1,315,619
Board designated funds (Note 10)	1,188,928	1,098,365
Total Net Assets Without Donor Restrictions	3,214,673	2,413,984
Total Net Assets With Donor Restrictions (Note 10)	29,872,103	28,565,333
TOTAL NET ASSETS	33,086,776	30,979,317
TOTAL LIABILITIES AND NET ASSETS	\$ 35,228,337	\$ 32,505,867

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>Year Ended June 30, 2023</u>			<u>Year Ended June 30, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2022</u>
SUPPORT AND REVENUE:						
Contributions (Note 1C)	\$ 1,122,230	\$ 1,999,299	\$ 3,121,529	\$ 1,027,863	\$ 2,395,713	\$ 3,423,576
Special events (net of direct expenses of \$0 and \$42,029)	-	-	-	49,971	-	49,971
In-kind contributions (Notes 1D and 8)	8,503	-	8,503	24,710	-	24,710
Investment return (Notes 1G and 3)	296,413	2,374,800	2,671,213	(269,470)	(3,652,032)	(3,921,502)
Net assets released from restrictions (Notes 1B and 10)	<u>3,067,329</u>	<u>(3,067,329)</u>	<u>-</u>	<u>2,649,143</u>	<u>(2,649,143)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE:	<u>4,494,475</u>	<u>1,306,770</u>	<u>5,801,245</u>	<u>3,482,217</u>	<u>(3,905,462)</u>	<u>(423,245)</u>
EXPENSES:						
Program expenses	3,018,498	-	3,018,498	2,597,506	-	2,597,506
Management and general	360,562	-	360,562	299,901	-	299,901
Development	<u>314,726</u>	<u>-</u>	<u>314,726</u>	<u>343,780</u>	<u>-</u>	<u>343,780</u>
TOTAL EXPENSES:	<u>3,693,786</u>	<u>-</u>	<u>3,693,786</u>	<u>3,241,187</u>	<u>-</u>	<u>3,241,187</u>
CHANGE IN NET ASSETS	800,689	1,306,770	2,107,459	241,030	(3,905,462)	(3,664,432)
Net assets - beginning of year	<u>2,413,984</u>	<u>28,565,333</u>	<u>30,979,317</u>	<u>2,172,954</u>	<u>32,470,795</u>	<u>34,643,749</u>
NET ASSETS - END OF YEAR	<u>\$ 3,214,673</u>	<u>\$ 29,872,103</u>	<u>\$ 33,086,776</u>	<u>\$ 2,413,984</u>	<u>\$ 28,565,333</u>	<u>\$ 30,979,317</u>

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

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,107,459	\$ (3,664,432)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and unrealized (gain) loss on investments	(1,897,408)	4,366,176
Depreciation	2,212	2,646
Contributions with perpetual donor restrictions	(120,550)	(119,461)
Changes in Operating Assets and Liabilities:		
Promises to give	(76,000)	(6,500)
Prepaid expenses	2,045	(3,965)
Accounts payable	1,056	2,518
Refundable advances	107,308	-
Grants payable	508,616	362,996
Total Adjustments	(1,472,721)	4,604,410
Net Cash Provided by Operating Activities	634,738	939,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,619,904	2,490,652
Purchase of investments	(3,471,546)	(4,136,988)
Change in present value of future annuity payments	4,231	5,870
Net Cash Used in Investing Activities	(847,411)	(1,640,466)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions with perpetual donor restrictions	120,550	119,461
Payments to annuitants	(6,200)	(6,200)
Net Cash Provided by Financing Activities	114,350	113,261
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(98,323)	(587,227)
Cash and cash equivalents - beginning of year	566,443	1,153,670
Cash and cash equivalents - end of year	\$ 468,120	\$ 566,443

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Purpose - The Norwalk Community College Foundation, Inc. (The “Foundation”) was chartered to raise funds for scholarships in support of Norwalk Community College (the “College”) students, as well as to support other College student success programs. The Foundation receives donations from individuals, foundations and businesses primarily through campaigns and periodic fundraising events.

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.

B. 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.

C. 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 as net assets 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.

Foundation grants and contracts are nonexchange transactions and accounted for under FASB Accounting Standards Update (“ASU”) 2018-08. Foundation grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no longer a right of return/release from obligation. There are instances when the Foundation receives advances from the foundations. Such advances are recorded as refundable advances in the accompanying statements of financial position.

As of June 20, 2023, the Foundation received a conditional grant from a foundation in the amount of \$450,000. Such grant has not been recognized in the accompanying financial statements as it is for future periods and will be recognized when contract barriers are overcome. Such barriers include expending this fund in accordance with its agreement. If such services are not provided, the Foundation is not obligated to expend the funds allotted under the grant and the Foundation may be required to return the funds already remitted.

D. In-Kind Contributions - The Foundation records contributed items at their fair value on the date of receipt when valuation is practical. Provided they meet the criteria for recognition, contributed services are recorded as in-kind contributions (at their fair value) when valuation is practical. Certain contributions from the college are non-measurable.

E. 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, except for those managed as a component of the Foundation’s investment portfolio.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. Promises to Give** – Promises to give are expected to be fully collectible and consist of \$109,000 and \$33,000, respectively, as of June 30, 2023 and 2022. Promises to give-noncurrent portion (due over two years) consists of \$9,000 and \$2,000, respectively, as of June 30, 2023 and 2022.
- G. Investments** - Investments are recorded at fair value with unrealized gains and losses included in the statements of activities. The Foundation reports investment income and gains and losses as increases or decreases in net assets without donor restrictions in the statements of activities unless a donor or law restricts their use.
- H. 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.
- I. Uncertainty in Income Taxes** - The Foundation believes it has no uncertain tax positions as of June 30, 2023 and 2022 in accordance with Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- J. Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- K. Functional Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of 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.
- L. Reclassification** - Certain line items in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 presentation.

NOTE 2 – 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 expenditures over one year, 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 expenditures. In addition, the Foundation also anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources. As of June 30, the Foundation’s financial assets were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 468,120	\$ 566,443
Promises to give, current portion	100,000	31,000
Investments	<u>34,632,399</u>	<u>31,883,349</u>
Subtotal	35,200,519	32,480,792
Less: with donor restrictions	(29,872,103)	(28,565,333)
Less: Board-designated funds	<u>(1,188,928)</u>	<u>(1,098,365)</u>
Total financial assets available for use within 12 months	<u>\$ 4,139,488</u>	<u>\$ 2,817,094</u>

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

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.

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

	<u>2023</u>		<u>2022</u>	
	<u>Level 1</u>	<u>Total 2023</u>	<u>Level 1</u>	<u>Total 2022</u>
Money market funds	\$ 5,586,180	\$ 5,586,180	\$ 5,304,295	\$ 5,304,295
Equities and equity funds	18,152,551	18,152,551	15,658,158	15,658,158
Fixed income funds	<u>10,835,871</u>	<u>10,835,871</u>	<u>10,813,293</u>	<u>10,813,293</u>
Investments measured at fair value	<u>\$ 34,574,602</u>	34,574,602	<u>\$ 31,775,746</u>	31,775,746
Investments measured at net asset value ("NAV") as a practical expedient		<u>57,797</u>		<u>107,603</u>
Total assets at fair value		<u>\$ 34,632,399</u>		<u>\$ 31,883,349</u>

Neuberger Berman Offshore Diversified Arbitrage Fund II Ltd ("Neuberger") – The 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 investment pursues this objective by allocating its assets, through the Master Fund, primarily among a select group of 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). The following tables summarize investments measured at fair value based on net NAV per share as of June 30:

	<u>Fair Market Value 2023</u>	<u>Fair Market Value 2022</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Neuberger	<u>\$ 57,797</u>	<u>\$ 107,603</u>	N/A	N/A	N/A

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 67,870	\$ 67,870
Less accumulated depreciation	<u>(56,353)</u>	<u>(54,141)</u>
Total	<u>\$ 11,517</u>	<u>\$ 13,729</u>

For the years ended June 30, 2023 and 2022, depreciation expense amounted to \$2,212 and \$2,646, respectively.

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 2023 and 2022. The total amount of gift principal received under these agreements to date is \$640,723.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 – ANNUITIES PAYABLE (Continued)

The Foundation had annuities payable of \$31,409 at June 30, 2023 and \$33,378 at June 30, 2022, 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, 2023 and 2022. The payout percentage is 6.2% of the original funds received for the remaining annuitant at June 30, 2023 and 2022. 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, 2023 and 2022 was \$52,256 and \$57,397, respectively. Annuity payments of \$6,200 were made both in 2023 and 2022.

NOTE 6 – 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 4.87%. The Foundation has committed to the following payments over the next two years:

2024		\$ 1,523,494
2025		<u>494,045</u>
Subtotal		2,017,539
Less: discount to net present value		<u>(44,820)</u>
Total		<u>\$ 1,972,719</u>

Additionally, the Foundation has budgeted funding the subsequent academic year; however, formal agreements have not been executed and 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. As of June 30, 2023, the amount of the budgeted scholarship awards is \$1,600,000.

NOTE 7 – 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, 2023 and 2022 was \$53,032 and \$48,957, respectively.

NOTE 8 – IN-KIND CONTRIBUTIONS

Gifts in-kind consisted of the following for the years ended June 30:

<u>Nonfinancial Asset</u>	<u>2023</u>	<u>2022</u>	<u>Fair Value Technique</u>	<u>Donor-imposed Restrictions</u>	<u>Usage in Programs/Activities</u>
Supplies	\$ 7,400	\$ -	Based on fair value of cost provided by donor	No associated donor restriction	College Advancement
Furniture	-	24,710	College Advancement	No associated donor restriction	College Advancement
Credit card services	<u>1,103</u>	<u>-</u>	Based on fair value of cost provided by donor	No associated donor restriction	Fundraising
Total	<u>\$ 8,503</u>	<u>\$ 24,710</u>			

For the years ended June 30, 2023 and 2022, gifts in-kind also included rental space, volunteers, computer server use and computer helpdesk support. These contributions were not measurable and were used in both program and supporting service activities.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 – 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. As of both June 30, 2023 and 2022, the Foundation had no uninsured cash and cash equivalents balance, respectively.

NOTE 10 – NET ASSETS

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

	2023	2022
Endowment corpus	\$ 16,603,601	\$ 16,483,051
Undistributed earnings on endowment	7,873,697	6,387,593
Total Endowment	24,477,298	22,870,644
Purpose restricted net assets for scholarships, college advancement and capital improvements	5,394,805	5,694,689
Total with donor restrictions	\$ 29,872,103	\$ 28,565,333

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:

	2023	2022
Scholarships	\$ 1,246,393	\$ 836,676
College advancement and other	1,820,936	1,812,467
Total Net Assets Released from Restrictions	\$ 3,067,329	\$ 2,649,143

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.

NORWALK COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 – ENDOWMENT FUNDS (Continued)

The Foundation 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, 2023 and 2022) 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.

During the years ended June 30, 2023 and 2022, 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, 2023 and 2022 were reported as follows:

	<u>2023</u>	<u>2022</u>
Beginning of period	\$ 22,870,644	\$ 27,466,722
Contributions	120,550	119,461
Interest and dividend income	570,701	481,139
Realized and unrealized gains (losses)	1,804,099	(3,796,232)
Investment fees	(100,200)	(329,431)
Amounts appropriated for expenditure	(788,496)	(434,045)
Donor approved reclassification out of endowment fund	<u>-</u>	<u>(636,970)</u>
End of period	<u>\$ 24,477,298</u>	<u>\$ 22,870,644</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2023, the date that the financial statements were available to be issued.