

Foundation for
Muskegon Community College

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2022 and 2021



Foundation for

Muskegon Community College

Foundation for Muskegon Community College

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INDEPENDENT AUDITOR'S REPORT

Foundation Board of Directors
Foundation for Muskegon Community College
Muskegon, Michigan

Opinion

We have audited the accompanying financial statements of the Foundation for Muskegon Community College (a Michigan nonprofit corporation), a component unit of Muskegon Community College, which comprise the statements of financial position as of June 30, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for Muskegon Community College as of June 30, 2022 and 2021, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation for Muskegon Community College 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.

Responsibility 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 for Muskegon Community College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Foundation for Muskegon Community College
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Auditor's 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 auditor's 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, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 of 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 for Muskegon Community College'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation for Muskegon Community College'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Muskegon, Michigan
November 4, 2022

Foundation for Muskegon Community College
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	\$ 59,409	\$ 130,546
Investments	694,509	699,013
Unconditional promises to give	5,748	12,019
Total current assets	759,666	841,578
 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	 393,313	 475,929
	\$ 1,152,979	\$ 1,317,507

LIABILITIES AND NET ASSETS

NET ASSETS		
Without donor restrictions	\$ 206,508	\$ 219,901
With donor restrictions	946,471	1,097,606
	\$ 1,152,979	\$ 1,317,507

The accompanying notes are an integral part of these statements.

Foundation for Muskegon Community College
STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions						
Cash	\$ 22,022	\$ 385,930	\$ 407,952	\$ 10,909	\$ 244,062	\$ 254,971
In-kind	221,302	9,706	231,008	209,479	71,935	281,414
Gain (loss) from beneficial interest in assets held by others	(23,659)	(51,923)	(75,582)	30,369	75,029	105,398
Investment income (loss), net	(8,215)	(99,281)	(107,496)	13,399	139,472	152,871
Net assets released from restrictions	395,567	(395,567)	-	187,953	(187,953)	-
Total revenues and support	607,017	(151,135)	455,882	452,109	342,545	794,654
EXPENSES						
Program services	398,846	-	398,846	157,258	-	157,258
Management and general	217,780	-	217,780	202,823	-	202,823
Fundraising	3,784	-	3,784	6,656	-	6,656
Total expenses	620,410	-	620,410	366,737	-	366,737
Change in net assets	(13,393)	(151,135)	(164,528)	85,372	342,545	427,917
Net assets at beginning of year	219,901	1,097,606	1,317,507	134,529	755,061	889,590
Net assets at end of year	\$ 206,508	\$ 946,471	\$ 1,152,979	\$ 219,901	\$ 1,097,606	\$ 1,317,507

The accompanying notes are an integral part of these statements.

Foundation for Muskegon Community College
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses				
Compensation	\$ -	\$ 122,074	\$ -	\$ 122,074
Employee benefits	-	40,627	-	40,627
	-	162,701	-	162,701
Distributions to Muskegon Community College for program activities	398,846	-	-	398,846
Dues	-	1,895	-	1,895
Office	-	68	-	68
Other	-	262	3,488	3,750
Postage	-	-	229	229
Printing	-	-	67	67
Professional services	-	51,033	-	51,033
Travel and conferences	-	1,821	-	1,821
	\$ 398,846	\$ 217,780	\$ 3,784	\$ 620,410

The accompanying notes are an integral part of this statement.

Foundation for Muskegon Community College
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses				
Compensation	\$ -	\$ 117,170	\$ -	\$ 117,170
Employee benefits	-	67,742	-	67,742
	-	184,912	-	184,912
Distributions to Muskegon Community College for program activities	157,258	-	-	157,258
Dues	-	335	-	335
Office	-	36	-	36
Postage	-	-	658	658
Printing	-	-	5,078	5,078
Professional services	-	17,540	-	17,540
Travel and conferences	-	-	920	920
	\$ 157,258	\$ 202,823	\$ 6,656	\$ 366,737

The accompanying notes are an integral part of this statement.

Foundation for Muskegon Community College
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
Operating activities		
Change in net assets	\$ (164,528)	\$ 427,917
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
(Gain) loss from beneficial interest in assets held by others	75,582	(105,398)
Realized and unrealized (gain) on investments	120,522	(141,735)
Contributed investments	-	(10,304)
	31,576	170,480
(Increase) decrease in operating assets		
Unconditional promises to give	6,271	6,654
Net cash provided by (used for) operating activities	37,847	177,134
Investing activities		
Investment purchases	(116,018)	(107,105)
Proceeds from beneficial interest in assets held by others	7,034	13,129
Net cash provided by (used for) investing activities	(108,984)	(93,976)
INCREASE (DECREASE) IN CASH	(71,137)	83,158
Cash at beginning of year	130,546	47,388
Cash at end of year	\$ 59,409	\$ 130,546
Schedule of non-cash investing activities		
Contributed investments	\$ -	\$ 10,304

The accompanying notes are an integral part of these statements.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation for Muskegon Community College (Foundation) was established in 1981. The Foundation's sole purpose is to support the mission of Muskegon Community College (College) through fund development. As part of this purpose, it is responsible for managing the fundraising efforts of the College.

Basis of Accounting

The financial statements are presented on an accrual basis of accounting which recognizes income when earned and expenses when incurred.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to the following net asset classes: without donor restrictions and with donor restrictions.

Net assets without donor restrictions. Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions. Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those may or will be met by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

These financial statements are discretely presented in the financial statements of Muskegon Community College.

Revenue Recognition

Contribution Revenue

Contributions, which include cash, unconditional promises to give, certain contributed services, and gifts of long-lived and other assets, are recognized as revenues in the period received or promised. Substantially all of the Foundation's grants are considered to be contributions for the purpose of applying revenue recognition policies. Contributions receivable beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate and are also recorded net of estimated uncollectible amounts.

Contributions are considered to be unconditional unless there are one or more barriers that must be overcome before the Foundation is entitled to the assets received or promised. Conditional contributions are recognized when the conditions have been substantially met.

Unconditional contributions are considered to be without donor restriction unless specifically restricted by the donor for time or purpose. When a donor restriction is fulfilled or expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same period in which the contribution is received, the Foundation reports the support as increases in net assets without donor restriction

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022 and 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenue Recognition—Continued

Revenue from Contracts with Customers

The Foundation has no significant contracts with customers.

Revenue received for expenditures to be incurred in the succeeding year is reported as deferred revenue and is not recognized as revenue until the year it is earned.

Investments

Investments are reported at their fair values which are generally based on quoted market prices.

Gains and losses on disposition are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included as part of investment income, net, as reported in the statements of activities.

Volunteers

A number of volunteers, including the members of the Board of Directors, have made significant contributions of time to the Foundation’s policy-making, program, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Functional Expenses

The cost of providing the various programs and other activities has 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 based on management’s analysis and estimates.

All expenses have been allocated based on direct cost.

Other Donated Services

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Those donated services for the years ended June 30, 2022 and 2021 include the following:

	2022		
	Management and General	Fundraising	Total
Management services	\$ 217,518	\$ 3,784	\$ 221,302
	2021		
	Management and General	Fundraising	Total
Management services	\$ 202,823	\$ 6,656	\$ 209,479

Non-monetary Transactions

Non-monetary transactions are recorded on the basis of the market value of services provided or assets transferred.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Tax Status

The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

In preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination by the various taxing authorities for a period of three or four years.

Use of Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain prior year accounts have been reclassified for comparative purposes to conform to the current year presentation.

Date of Management's Review

Subsequent events have been evaluated through November 4, 2022, which is the date the financial statements were available to be issued.

NOTE B—AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 59,409	\$ 130,546
Investments	694,509	699,013
Unconditional promises to give	5,748	12,019
Beneficial interest in assets held by others	393,313	475,929
Total financial assets	<u>1,152,979</u>	<u>1,317,507</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	946,471	1,097,606
Less net assets with purpose and time restrictions to be met in less than a year	(470,778)	(678,357)
Board-designated endowment	82,097	60,551
Beneficial interest in assets held by others	123,117	137,133
	<u>680,907</u>	<u>616,933</u>
Financial assets available to meet general expenses over the next year	<u><u>\$ 472,072</u></u>	<u><u>\$ 700,574</u></u>

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE B—AVAILABILITY AND LIQUIDITY—Continued

The Foundation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures and meeting its liabilities and other obligations as they become due. The Foundation's endowments consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note F, the board-designated endowments have a spending rate of up to 6 percent. As such, approximately \$8,200 will be available within the next year. In addition, income of the beneficial interest in assets held by others will be available within the next year, subject to Community Foundation spending limitations.

NOTE C—FAIR VALUE MEASUREMENTS

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority level. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Money market funds: Valued at amortized cost which approximates fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE C—FAIR VALUE MEASUREMENTS—Continued

Beneficial interest in assets held by others: The assets are valued based upon the Foundation’s allocable share of the Community Foundation for Muskegon County’s (Community Foundation) pooled investment portfolio. The allocable share is based on the value of the underlying assets owned by the fund, minus its liabilities.

The beneficial interests in assets held by others are valued monthly by the Community Foundation and are allocated based upon each organization’s calculated share of the Community Foundation’s pooled investment portfolio. Each entity with an interest within the pooled investments receives a statement from the Community Foundation indicating the additions to the investment (via contributions), withdrawals from the investment (via grants), and the investment returns allocated via a unitization process. The Foundation calculates the fair value of its beneficial interest in the pooled investment assets held by the Community Foundation based on the estimated fair value of the underlying assets. The Community Foundation controls the investments and makes all management and investment decisions.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s assets at fair value as of June 30, 2022 and 2021:

	Assets at Fair Value as of June 30, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 11,862	\$ -	\$ 11,862
Mutual funds	682,647	-	-	682,647
Beneficial interest in assets held by others	-	393,313	-	393,313
Total assets at fair value	\$ 682,647	\$ 405,175	\$ -	\$ 1,087,822

	Assets at Fair Value as of June 30, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ 10,846	\$ -	\$ 10,846
Mutual funds	688,167	-	-	688,167
Beneficial interest in assets held by others	-	475,929	-	475,929
Total assets at fair value	\$ 688,167	\$ 486,775	\$ -	\$ 1,174,942

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE D—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Funds

The Foundation has multiple funds with the Community Foundation for Muskegon County (Community Foundation).

Special Needs Fund

The Foundation for Muskegon Community College Special Needs Fund (Special Needs Fund) was established in 1996 to provide financial support to Muskegon Community College in pursuing excellence in education. The fund agreement allows the use of both the Fund's principal and income in accordance with the Community Foundation's spending policy.

General Endowment Fund

The Foundation for Muskegon Community College Endowment Fund (General Endowment Fund) was established in 1996 to provide financial support to Muskegon Community College in pursuing excellence in education. The fund agreement allows the use of the Fund's income only in accordance with the Community Foundation's spending policy.

Rooks Sarnicola Entrepreneur Award Fund

The Foundation for Muskegon Community College Rooks Sarnicola Entrepreneur Award Fund (Rooks Sarnicola Fund) was established in 2015 to provide one \$10,000 Rooks Sarnicola Entrepreneur Award annually to a graduate of the College's Entrepreneurial Studies program. The award is intended to promote entrepreneurship in general, support the College's related programs, and retain talent in Muskegon County. The fund agreement allows the use of the Fund's income only in accordance with the Community Foundation's spending policy.

Scholarship Funds

The Foundation also has approximately nineteen separate Scholarship Funds (Scholarship Funds) established to provide financial support to Muskegon Community College Students. The fund agreements generally allow the use of the Funds' income only in accordance with the Community Foundation's spending policy.

The Community Foundation invests the contributions to the funds in various types of marketable equity and debt securities, U.S. Treasuries, commercial paper, and certificates of deposit. The majority of investments are uninsured and uncollateralized.

Reporting of the Assets of the Funds

The investments held at the Community Foundation, which were contributed by the Foundation along with the earnings on these investments, are reported at fair value as net assets without donor restriction of the Foundation except for the Rooks Sarnicola Entrepreneur Award Fund which is reported as net assets with donor restrictions. The contributions to these funds made by third party donors directly to the Community Foundation have been excluded from the net assets of the Foundation.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE D—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued

Summary of Foundation Funds

A summary of revenues, expenses, and changes in the net assets at fair value of the funds for the years ended June 30, 2022 and 2021 follows:

	2022				Totals
	Special Needs Fund	General Endowment Fund	Rooks Sarnicola Fund	Scholarship Funds	
Revenues					
Contributions	\$ 21,365	\$ 1,600	\$ -	\$ 3,025	\$ 25,990
Investment income (loss), net	(40,690)	(92,398)	(46,811)	(204,054)	(383,953)
	(19,325)	(90,798)	(46,811)	(201,029)	(357,963)
Expenses					
Disbursements	13,486	21,365	-	4,105	38,956
Change in net assets	(32,811)	(112,163)	(46,811)	(205,134)	(396,919)
Net assets at beginning of year	262,928	634,572	311,494	1,301,208	2,510,202
Net assets at end of year	230,117	522,409	264,683	1,096,074	2,113,283
Less assets recorded as those of the Community Foundation	(106,999)	(516,759)	(138)	(1,096,074)	(1,719,970)
Assets reported on the statement of financial position	\$ 123,118	\$ 5,650	\$ 264,545	\$ -	\$ 393,313
	2021				Totals
	Special Needs Fund	General Endowment Fund	Rooks Sarnicola Fund	Scholarship Funds	
Revenues					
Contributions	\$ 20,066	\$ 700	\$ -	\$ 3,025	\$ 23,791
Investment income (loss), net	56,060	144,488	71,592	291,511	563,651
	76,126	145,188	71,592	294,536	587,442
Expenses					
Disbursements	6,330	20,066	10,000	50,617	87,013
Change in net assets	69,796	125,122	61,592	243,919	500,429
Net assets at beginning of year	193,132	509,450	249,902	1,057,289	2,009,773
Net assets at end of year	262,928	634,572	311,494	1,301,208	2,510,202
Less assets recorded as those of the Community Foundation	(125,795)	(607,270)	-	(1,301,208)	(2,034,273)
Assets reported on the statement of financial position	\$ 137,133	\$ 27,302	\$ 311,494	\$ -	\$ 475,929

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE D—BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS—Continued

Summary of Foundation Funds—Continued

The Board of Trustees of the Community Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as “variance power” and is a legal standard imposed on all community foundations.

Risks and Uncertainties

Investments are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the fund’s balance and the amount reported in the financial statements.

NOTE E—NET ASSETS

Net assets without donor restrictions as of June 30, 2022 and 2021 are comprised of the following:

	2022	2021
Undesignated	\$ 124,411	\$ 159,350
Board-designated		
For special needs	82,097	60,551
Total net assets without donor restrictions	\$ 206,508	\$ 219,901

Net assets with donor restrictions as of June 30, 2022 and 2021 are comprised of the following:

	2022	2021
Passage of time		
Pledges	\$ 5,748	\$ 12,019
Specific purpose		
Academics	250	-
Stevenson Endowment	203,237	230,345
Thompson Endowment	149,951	174,677
Nesbary Endowment	21,282	16,599
Dan Burt Endowment	69,275	71,676
Employee Endowment	15,415	14,759
Kleeves Endowment	21,298	20,789
DeBower Endowment	24,849	29,256
Amos Nordman Endowment	32,305	28,210
Endowment/memorials	58,242	20,198
Equipment/facilities improvements	757	6,758
Grant for Youth Advisory	5,000	5,000
Programming	7,000	-
Rooks Sarnicola Entrepreneur Award	264,546	311,494
Scholarships	64,335	133,419
Student services	2,731	21,907
Other	250	500
Total net assets with donor restrictions	\$ 946,471	\$ 1,097,606

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE E—NET ASSETS—Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022 and 2021:

	2022	2021
Passage of time		
Pledges	\$ 6,271	\$ 6,655
Purpose restriction accomplished		
Academics	7,468	13,717
Alumni Association	2,009	3,767
Equipment/facilities improvements	256,426	112,030
Rooks Sarnicola Entrepreneur Award	-	10,000
Scholarships	52,825	3,885
Student services	29,218	37,899
Programming	35,700	-
Other	5,650	-
Net assets released from donor restrictions	\$ 395,567	\$ 187,953

NOTE F—ENDOWMENT ASSETS

Background

The Foundation is the beneficiary of multiple endowments.

James L. and Jean A. Stevenson Endowment

The fund was established for the upkeep and improvements to the Stevenson Center.

John G. Thompson Endowment

The fund was established to support the John G. Thompson Academic Pathways Recruitment Series. The Series encourages prospective students (especially underrepresented groups) to come to the College for an education or special learning programs or events.

Dale and Connie Nesbary Music Scholarship Endowment

The fund was established to provide one scholarship annually to reward excellence in musicianship and to encourage the study of music at the College. Scholarships may be granted in instrument and/or vocal music.

Dan Burt Athletic/Wrestling Endowment

The fund was established to provide an annual award of up to \$500 to an Ottawa or Muskegon County high school graduate/wrestler in memory of former Jayhawk student-athlete and assistant wrestling coach, Dan Burt. Proceeds from the annual Dan Burt Memorial Scholarship golf outing are added to the fund each year.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE F—ENDOWMENT ASSETS—Continued

Employee Endowment

The fund was funded and directed by MCC employees, supporting philanthropy at MCC and in the MCC community.

Kleeves Scholarship Endowment

The fund was established for the Judith Toxopeus and John W. Kleeves Endowed Scholarship to provide an annual award of up to \$1,000 to an MCC student with a GPA of at least 2.9.

Ted DeBower Mathematics and Science Scholarship Endowment

The fund was established to provide an annual award of \$500 to at least one student seeking an Associate's degree in a math or science area of study.

Amos Nordman Endowment

The fund was established to provide an annual scholarship totaling \$1,000 to one or more students enrolled in a technology-related program of study.

Memorial Endowment

The Foundation is in the process of establishing a fund in memory of Eileen Kissell with the purpose of the fund to be determined.

General Scholarships Endowment – board designated

The fund was established to assist students attending the College.

Special Needs Endowment – board designated

The fund was established to assist with any identified needs for the College.

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on based on the existence or absence of donor-imposed restrictions.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE F—ENDOWMENT ASSETS—Continued

Interpretation of Relevant Law

The Foundation’s endowment funds are subject to the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires 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 endowment less underwater amounts, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the fund. In addition, Michigan UPMIFA restricts investment income earned by endowment funds until appropriated for expenditure and, as such, investment income related to endowment funds is also classified as net assets with donor restrictions. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the various funds, the purposes of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the Foundation’s investment policies.

Composition of Endowments

Endowment net assets consist of the following at June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 475,693	\$ 475,693
Accumulated investment gains (losses)	-	82,675	82,675
Board-designated funds	82,097	54,044	136,141
	\$ 82,097	\$ 612,412	\$ 694,509

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 419,249	\$ 419,249
Accumulated investment gains (losses)	-	167,062	167,062
Board-designated funds	60,551	52,151	112,702
	\$ 60,551	\$ 638,462	\$ 699,013

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE F—ENDOWMENT ASSETS—Continued

The following schedule summarizes the changes in endowment net assets for the years ended June 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ -	\$ 61,757	\$ 61,757
Distributions	-	(5,000)	(5,000)
Foundation contributions	29,798	16,474	46,272
Investment income (loss), net	(8,252)	(99,281)	(107,533)
Change in endowment net assets	21,546	(26,050)	(4,504)
Endowment net assets, beginning of year	60,551	638,462	699,013
Endowment net assets, end of year	\$ 82,097	\$ 612,412	\$ 694,509
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ -	\$ 93,790	\$ 93,790
Foundation contributions	11,482	1,015	12,497
Investment income (loss), net	13,385	139,472	152,857
Change in endowment net assets	24,867	234,277	259,144
Endowment net assets, beginning of year	35,684	404,185	439,869
Endowment net assets, end of year	\$ 60,551	\$ 638,462	\$ 699,013

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment funds. The investment strategy of the Foundations portfolio is to emphasize long-term sustainability and total return. Total return, net of management fees, is the aggregate return from capital appreciation, dividend, and interest income.

The primary investment goal of the Foundation’s portfolio is to provide a relatively stable, inflation adjusted, annual payout to support the Foundation’s defined spending rate. There will be some inevitable volatility in principal value of the portfolio, but it may offer the potential for sustainable payout plus modest growth and inflation protection over the long-term.

Foundation for Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE F—ENDOWMENT ASSETS—Continued

Investment Return Objectives, Risk Parameters and Strategies—Continued

The Foundation's investment policy is equity biased, but emphasizes diversification in order to reduce risk. Investments are spread across cash, fixed income securities and equities. With the exception of federal government issues, no individual fixed income issue or security may exceed 5 percent of its respective category's total investments.

The Foundation has two core investment return objectives. First, the Foundation's core total investment return objective is the 5 year annualized CPI plus the spending rate (4 percent) plus administrative fees (1 percent). The second objective is for total investment return to exceed the Foundation Balanced Index Benchmark, which is comprised of 55 percent Russell 3000 Index, 15 percent MSCI AC World Index Free ex-US, and 30 percent LB Aggregate Bond Index.

Spending Policies

Spending of funds is determined primarily by the donor's stated charitable intent as to spending and preservation of principal. The Foundation has established an annual spending guideline not to exceed 6 percent, absent specific donor intent. This spending level includes: grants, administrative fees, and investment expenses. Under this spending guideline and absent direction from the donor, the Foundation will make grants of 4 percent from permanently endowed funds.

NOTE G—TRANSACTIONS WITH MUSKEGON COMMUNITY COLLEGE

Except for the Rooks Sarnicola Entrepreneur Award, net assets released from donor restrictions were distributions to the College or for the College's benefit by the Foundation for the years ended June 30, 2022 and 2021.

For the years ended June 30, 2022 and 2021, the College also provided \$221,302 and \$209,479, respectively, of in-kind contributions to the Foundation by providing management services including personnel support, supplies and equipment to the Foundation.

NOTE H—UPCOMING ACCOUNTING PRONOUNCEMENT

ASU 2016-02—*Leases (Topic 842)* was issued by the FASB in February 2016. The standard will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. For nonpublic entities, this standard is effective for fiscal years beginning after December 15, 2021.

SUPPLEMENTARY INFORMATION

Foundation for Muskegon Community College
SCHEDULES OF ACTIVITIES
Years ended June 30, 2022 and 2021

	2022			2021		
	Total	Less in-kind	Net	Total	Less in-kind	Net
REVENUES AND SUPPORT						
Contributions	\$ 638,960	\$ 231,008	\$ 407,952	\$ 536,385	\$ 281,414	\$ 254,971
Gain (loss) from beneficial interest in assets held by others	(75,582)	-	(75,582)	105,398	-	105,398
Investment income (loss), net	(107,496)	-	(107,496)	152,871	-	152,871
Total revenues and support	455,882	231,008	224,874	794,654	281,414	513,240
EXPENSES						
Program services	398,846	9,706	389,140	157,258	71,935	85,323
Management and general	217,780	217,518	262	202,823	202,823	-
Fundraising	3,784	3,784	-	6,656	6,656	-
Total expenses	620,410	231,008	389,402	366,737	281,414	85,323
Change in net assets	(164,528)	-	(164,528)	427,917	-	427,917
Net assets at beginning of year	1,317,507	-	1,317,507	889,590	-	889,590
Net assets at end of year	\$ 1,152,979	\$ -	\$ 1,152,979	\$ 1,317,507	\$ -	\$ 1,317,507