

**MERCER COUNTY COMMUNITY
COLLEGE FOUNDATION**
(A Component Unit of Mercer
County Community College)

FINANCIAL STATEMENTS

June 30, 2020

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mercer County Community College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Mercer County Community College Foundation (the "Foundation"), a component Unit of Mercer County Community College, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 control 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 control. 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercadion, P.C.

Certified Public Accountants

October 15, 2020

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

STATEMENTS OF FINANCIAL POSITION
June 30, 2020
With Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 607,755	\$ 508,372
Investments	11,853,640	11,353,768
Pledges receivable, net of discount	50,403	80,885
Accounts receivable and other current assets	6,000	888
Loan receivable, current portion	50,000	50,000
Total Current assets	<u>12,567,798</u>	<u>11,993,913</u>
Loan receivable, noncurrent portion	100,000	150,000
Total Assets	<u>\$ 12,667,798</u>	<u>\$ 12,143,913</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 16,350	\$ 61,645
Due to Mercer County Community College	80,074	87,568
Total Liabilities	<u>96,424</u>	<u>149,213</u>
Net Assets		
Without donor restrictions	3,424,041	3,224,275
With donor restrictions	9,147,333	8,770,425
Total Net Assets	<u>12,571,374</u>	<u>11,994,700</u>
Total Liabilities and Net Assets	<u>\$ 12,667,798</u>	<u>\$ 12,143,913</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

STATEMENTS OF ACTIVITIES
Year Ended June 30, 2020
With Comparative Totals for June 30, 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Gifts/contributions	\$ 73,614	\$ 353,393	\$ 427,007	\$ 382,865
Gifts/contributions - capital campaign	-	94,363	94,363	98,903
Gifts in-kind	233,796	47,918	281,714	210,841
Investment return, net	218,883	433,430	652,313	658,462
Fundraising				
Special event - spring event	95,855	-	95,855	169,134
Special event - golf outing	53,345	-	53,345	65,184
Special event - other events	-	-	-	6,350
Net assets released from restrictions	552,196	(552,196)	-	-
Total support and revenues	<u>1,227,689</u>	<u>376,908</u>	<u>1,604,597</u>	<u>1,591,739</u>
Expenses				
Program services				
Scholarships	576,785	-	576,785	518,439
Allocations	74,834	-	74,834	531,401
Equipment donation	47,918	-	47,918	-
Management and general				
In-kind services	75,557	-	75,557	70,117
Professional fees	16,975	-	16,975	15,000
Bank fees	1,671	-	1,671	2,988
Other operating expenses	2,815	-	2,815	2,198
Fundraising				
In-kind services	158,239	-	158,239	140,724
Senior giving officer	26,056	-	26,056	33,360
Capital campaign	17,371	-	17,371	22,240
Special event - spring event	2,400	-	2,400	36,638
Special event - golf outing	26,452	-	26,452	27,755
Special event - other events	850	-	850	6,844
Total expenses	<u>1,027,923</u>	<u>-</u>	<u>1,027,923</u>	<u>1,407,704</u>
Change in net assets	199,766	376,908	576,674	184,035
Net assets, beginning of year	<u>3,224,275</u>	<u>8,770,425</u>	<u>11,994,700</u>	<u>11,810,665</u>
Net assets, end of year	<u>\$ 3,424,041</u>	<u>\$ 9,147,333</u>	<u>\$ 12,571,374</u>	<u>\$ 11,994,700</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

STATEMENTS OF CASH FLOWS
Year Ended June 30, 2020
With Comparative Totals for June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 576,674	\$ 184,035
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gains	(429,959)	(411,193)
Contributions restricted for long-term purposes	(24,930)	(21,416)
Increase (decrease) in cash from		
Pledges receivable	30,482	32,543
Accounts receivable and other current assets	(5,112)	9,655
Accounts payable and accrued expenses	(45,295)	37,368
Due to Mercer County Community College	(7,494)	24,867
Net cash from operating activities	<u>94,366</u>	<u>(144,141)</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	12,764,918	4,810,126
Purchases of investments	(12,834,831)	(4,492,941)
Repayment (issuance) of loan receivable	50,000	(200,000)
Net cash from investing activities	<u>(19,913)</u>	<u>117,185</u>
Cash Flows from Financing Activities		
Contributions restricted for long-term purposes	24,930	21,416
Net cash from financing activities	<u>24,930</u>	<u>21,416</u>
Net change in cash and cash equivalents	99,383	(5,540)
Cash and cash equivalents, beginning of year	508,372	513,912
Cash and cash equivalents, end of year	<u>\$ 607,755</u>	<u>\$ 508,372</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

The Mercer County Community College Foundation (the "Foundation"), is a not-for-profit foundation organized in the State of NJ and exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). It is operated exclusively for the purpose of assisting the board of directors of Mercer County Community College (the "College") in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty.

The activities of the Foundation are considered to be a component unit of the College due to the fact that the Foundation's activities are entirely for the direct benefit of the College. The financial statements of the Foundation are included in the College's financial statements as a component unit.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restriction - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes. Net assets without donor restrictions include both designated and undesignated funds.
- Net assets with donor restriction - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or by the passage of time. Net assets with donor restrictions include donor-restricted endowment funds requiring investment of a gift in perpetuity or for a specified term as well as the investment return thereon until the returns are appropriated for expenditure. This includes the funds passed through the College to the Foundation in 2018 for Title III monies, where the corpus as well as earnings on the corpus are treated as an endowment for twenty years.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits, certificates of deposit, and highly liquid debt instruments with initial maturities of ninety days or less.

Cash balances maintained at financial institutions may exceed federally insured limits. The Foundation monitors the health of these banking institutions. Historically, the Foundation has not experienced any credit related losses.

Pledges and Loan Receivable

The Foundation considers all pledges and loan receivable to be fully collectible; accordingly, no allowances for doubtful amounts are required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made. Pledge receivables with expected collection terms of greater than one year are presented at their net present value.

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present values of their net realizable values, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

The Foundation records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. It is the Foundation's policy to record donor-restricted contributions, as well as donor-restricted income earned on donor endowment, as net assets without donor restrictions if they are received and expended in the same accounting period.

Endowment contributions and investments restricted in perpetuity by the donor are classified as contributions with donor restriction. Investment earnings on donor-restricted net assets are reported as donor-restricted revenue until they are appropriated for expenditure under the Foundation's spending policy. At that time, they are reclassified to net assets without donor restrictions.

Special events revenue is recognized when the event occurs.

In-kind Contributions

The Foundation records the value of in-kind services as revenues and expenses when the in-kind contribution is both budget-relieving and relates to events and programs under the Foundation's control.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value in the statements of financial position. Investment return, including interest, dividends and realized and unrealized gains and losses, net of investment expenses, are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Code and applicable state law. Income generated by activities that would be considered unrelated to the Foundation's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended June 30, 2020 or 2019.

U.S. GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Foundation did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2020 or 2019, or in the accompanying statements of activities for the years then ended. If the Foundation were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Scholarships and allocations are charged directly to program expenses. Other expenses have been allocated to management and general and fundraising based on the time and effort method of allocation.

Recently Adopted Accounting Pronouncement

The Foundation has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended June 30, 2020. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in 1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and 2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the financial statements or related disclosures.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 15, 2020, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

C. LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure within one year of the statements of financial position date, comprise the following:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 607,755	\$ 508,372
Investments	11,853,640	11,353,768
Pledges receivable	50,403	80,885
Accounts receivable and other current assets	6,000	888
Loan receivable, current portion	50,000	50,000
Less donor-restricted funds	<u>(9,147,333)</u>	<u>(8,770,425)</u>
Financial assets available to meet general expenditures	<u>\$ 3,420,465</u>	<u>\$ 3,223,488</u>

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Foundation structures its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of operating requirements in short-term investments.

D. INVESTMENTS

Investments at June 30, 2020 and 2019, are as follows:

	2020		
	Cost	Fair Value	Unrealized Appreciation
Corporate fixed income	\$ 5,033,592	\$ 5,167,170	\$ 133,578
Mutual funds	5,641,927	6,686,470	1,044,543
	<u>\$ 10,675,519</u>	<u>\$ 11,853,640</u>	<u>\$ 1,178,121</u>
	2019		
	Cost	Fair Value	Unrealized Appreciation
Corporate fixed income	\$ 4,620,995	\$ 4,741,293	\$ 120,298
Mutual Funds	5,463,701	6,612,475	1,148,774
	<u>\$ 10,084,696</u>	<u>\$ 11,353,768</u>	<u>\$ 1,269,072</u>

The following schedule summarizes the investment return and its classification in the statements of activities:

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 130,522	\$ 143,256	\$ 273,778
Realized gain	226,534	294,401	520,935
Unrealized gain (loss)	(90,976)	-	(90,976)
Investment fees	(47,197)	(4,227)	(51,424)
Total investment return	<u>\$ 218,883</u>	<u>\$ 433,430</u>	<u>\$ 652,313</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

NOTES TO FINANCIAL STATEMENTS

D. INVESTMENTS (CONTINUED)

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 167,386	\$ 137,413	\$ 304,799
Realized gain	146,962	74,036	220,998
Unrealized gain	14,335	175,860	190,195
Investment fees	(57,530)	-	(57,530)
Total investment return	<u>\$ 271,153</u>	<u>\$ 387,309</u>	<u>\$ 658,462</u>

E. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

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 estimate of fair value at the reporting date.

During the years ended June 30, 2020 and 2019, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value: *Corporate fixed income and Mutual funds* - The fair value is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

NOTES TO FINANCIAL STATEMENTS

E. FAIR VALUE MEASUREMENT (CONTINUED)

Assets measured at fair value on a recurring basis as of June 30, 2020 and 2019, are summarized as follows:

	2020			Total
	Level 1	Level 2	Level 3	
Corporate fixed income	\$ 5,167,170	\$ -	\$ -	\$ 5,167,170
Mutual funds	6,686,470	-	-	6,686,470
	<u>\$ 11,853,640</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,853,640</u>

	2019			Total
	Level 1	Level 2	Level 3	
Corporate fixed income	\$ 4,741,293	\$ -	\$ -	\$ 4,741,293
Mutual funds	6,612,475	-	-	6,612,475
Total	<u>\$ 11,353,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,353,768</u>

The primary objective of the Foundation's investments is capital appreciation and return without undue exposure to risk. Investment funds are selected to support long-term goals, and provide growth of endowment assets at a rate that that will provide available funds for expenses and scholarships and growth to endowment assets.

F. RELATED-PARTY TRANSACTIONS

The books of the Foundation are maintained through accounting and administrative services provided by the College. The fair value of these services has been determined for the years ended June 30, 2020 and 2019. Therefore, \$233,796 and \$210,841 for these services have been recognized in the statements of activities for the year ended June 30, 2020 and 2019, respectively. "Due to and from Mercer County Community College" accounts are set up to record related-party activity between the College and the Foundation. Due to Mercer County Community College was \$80,074 and \$87,568 at June 30, 2020 and 2019, respectively.

During fiscal year 2019, the Foundation loaned \$200,000 to the College, payable at an annual interest rate of 3% to fund turf infield renovations. The loan is expected to be received by the Foundation over four years. The first payment of \$50,000 was made during fiscal year 2020. The loan receivable as of June 30, 2020 is \$150,000.

G. NET ASSETS

Without Donor Restrictions

The Foundation's board of directors has chosen to place the following limitations on net assets without donor restrictions:

	June 30,	
	2020	2019
Designated for scholarships and programs	\$ 107,444	\$ 63,872
Designated for student assistance	1,391,125	1,293,910
Designated for major gifts campaign	440,182	436,018
Undesignated	1,485,290	1,430,475
Total	<u>\$ 3,424,041</u>	<u>\$ 3,224,275</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

G. NET ASSETS (CONTINUED)

With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Purpose Restricted:		
Scholarships	\$ 5,307,732	\$ 5,144,656
Programs	710,658	608,324
Capital improvements	201,204	122,451
Endowments given in perpetuity:		
Original gifts	<u>2,927,739</u>	<u>2,894,994</u>
Total	<u>\$ 9,147,333</u>	<u>\$ 8,770,425</u>

Net assets were released from donor restrictions as follows:

	<u>Year Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Expenses incurred to satisfy donor requirements	<u>\$ 552,196</u>	<u>\$ 834,435</u>

H. ENDOWMENT FUNDS

The Foundation's endowment funds consist of approximately four (4) individual funds established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Foundation's Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Foundation's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor-restrictions (a) the original value of gifts donated to the donor-restricted endowment and (b) the original value of subsequent gifts to the donor-restricted endowment, (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulation of investment returns are classified as part of the donor-restricted endowment until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Mercer County Community College)

NOTES TO FINANCIAL STATEMENTS

H. ENDOWMENT FUNDS (CONTINUED)

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

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is as follows:

<u>Fund Investment Objectives</u>	<u>Investment Policy</u>	<u>Target Return</u>
Foundation Board Designated Account	Moderate to High Risk	8%
Foundation Student Assistance Account	Low to Moderate Risk	7% - 8%
Foundation Athletic Account	Low to Moderate Risk	7% - 8%
Foundation Capital Campaign Account	Low to Moderate Risk	7% - 8%

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7 - 8 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment net asset composition by type of fund at:

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Board designated	\$ 1,188,564	\$ 1,061,871
Restricted for purpose and/or time	459,155	298,064
Restricted in perpetuity	<u>2,927,739</u>	<u>2,894,994</u>
Total	<u>\$ 4,575,458</u>	<u>\$ 4,254,929</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

H. ENDOWMENT FUNDS (CONTINUED)

Changes in endowment funds for the years ended June 30, 2020 and 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2018	\$ 1,017,167	\$3,115,607	\$ 4,132,774
Contributions	762,905	21,416	784,321
Investment return	-	127,565	127,565
Appropriated for expenditures	(1,058,869)	(71,530)	(1,130,399)
Other changes			
Reclassifications	100,000	-	100,000
Board designated endowments	<u>240,668</u>	<u>-</u>	<u>240,668</u>
Balance, June 30, 2019	<u>1,061,871</u>	<u>3,193,058</u>	<u>4,254,929</u>
Contributions	424,843	24,930	449,773
Investment return	-	248,341	248,341
Appropriated for expenditures	(497,350)	(79,435)	(576,785)
Other changes			
Reclassifications	50,000	-	50,000
Board designated endowments	<u>149,200</u>	<u>-</u>	<u>149,200</u>
Balance, June 30, 2020	<u>\$ 1,188,564</u>	<u>\$3,386,894</u>	<u>\$ 4,575,458</u>

I. LITIGATION AND CONTINGENT LIABILITIES

From time to time, the Foundation may be subject to litigation, claims and contingent liabilities incidental to the ordinary course of business. In the opinion of management, claims or lawsuits incidental to the business of the Foundation have been adequately provided for in the financial statements. There are no known claims or risks of litigation.

J. CORONAVIRUS - ORGANIZATION IMPACT

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation, to date, the Foundation has been able to operate remotely. The Foundation had to cancel one of the annual events, however was able to generate contribution revenue to supplement the loss of event income.