



Financial Statements  
June 30, 2023

# Northeast Iowa Community College Foundation

Northeast Iowa Community College Foundation

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June 30, 2023

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## Independent Auditor's Report

The Board of Directors  
Northeast Iowa Community College Foundation  
Calmar, Iowa

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Northeast Iowa Community College Foundation (the College Foundation), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Northeast Iowa Community College Foundation as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the College 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.

#### ***Correction of Error***

As discussed in Note 9 to the financial statements, the June 30, 2022 net assets have been restated to remove amounts previously reported as investments held in trust at community foundations. Our opinion is not modified with respect to that matter.

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

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

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

## **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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College 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 College 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023 on our consideration of the College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College Foundation's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 8, 2023

# Northeast Iowa Community College Foundation

Statements of Financial Position

June 30, 2023

Assets	
Cash and cash equivalents	\$ 501,681
Operating Investments	618,761
Promises to give, net	135,593
Endowment	
Promises to give, net	628,961
Investments	4,274,549
	<u>4,274,549</u>
Total assets	<u>\$ 6,159,545</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 4,145
	<u>4,145</u>
Net Assets	
Without donor restrictions	
Undesignated	915,510
Designated by the Board for endowment	417,455
	<u>1,332,965</u>
With donor restrictions	
Perpetual in nature	3,900,346
Purpose restrictions	894,859
Time-restricted for future periods	29,942
Underwater endowments	(2,712)
	<u>4,822,435</u>
Total net assets	<u>6,155,400</u>
	<u>6,155,400</u>
Total liabilities and net assets	<u>\$ 6,159,545</u>

Northeast Iowa Community College Foundation

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 63,909	1,222,268	\$ 1,286,177
In-kind contributions	25,021	1,582	26,603
Grant proceeds	-	72,500	72,500
Special events, fundraising	40,909	-	40,909
Investment return, net	-	460,125	460,125
Net assets released from purpose restrictions	684,758	(684,758)	-
Net assets released from restricted-purpose spending-rate distributions	179,765	(179,765)	-
Total revenue, support, and gains	<u>994,362</u>	<u>891,952</u>	<u>1,886,314</u>
Expenses			
Program services expense			
Scholarships	285,346	-	285,346
Program grant expense	842,474	-	842,474
Supporting services expense			
Administration	22,867	-	22,867
Fundraising	244,318	-	244,318
Total expenses	<u>1,395,005</u>	<u>-</u>	<u>1,395,005</u>
Change in Net Assets	(400,643)	891,952	491,309
Net Assets, Beginning of Year (Restated)	1,506,572	3,930,483	5,437,055
Services Received from Personnel of an Affiliate	227,036	-	227,036
Net Assets, End of Year	<u>\$ 1,332,965</u>	<u>\$ 4,822,435</u>	<u>\$ 6,155,400</u>

Northeast Iowa Community College Foundation

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services			Supporting Services		
	Scholarships	Program Grant Expense	Total Program Services	Administration	Fundraising	Total
Scholarships	\$ 285,346	\$ -	\$ 285,346	\$ -	\$ -	\$ 285,346
Wages and related expenses	-	-	-	-	137,772	137,772
Professional Services	-	-	-	19,475	13,422	32,897
Donated materials and supplies	-	3,846	3,846	-	3,283	7,129
Meeting expense	-	-	-	1,053	3,965	5,018
Other services	-	-	-	2,339	-	2,339
Event expense	-	-	-	-	13,999	13,999
Memberships	-	-	-	-	734	734
Printing and reproduction services	-	-	-	-	75	75
Materials and supplies	-	-	-	-	1,576	1,576
Travel	-	-	-	-	5,209	5,209
Funds sent to the College	-	838,628	838,628	-	-	838,628
Indirect	-	-	-	-	64,283	64,283
<b>Total expenses</b>	<b>\$ 285,346</b>	<b>\$ 842,474</b>	<b>\$ 1,127,820</b>	<b>\$ 22,867</b>	<b>\$ 244,318</b>	<b>\$ 1,395,005</b>



## Northeast Iowa Community College Foundation

Statements of Cash Flows

Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ 491,309
Adjustments to reconcile changes in net assets to net cash from operating activities	
Contributions restricted to endowment	(682,604)
Endowment net investment return	(460,125)
Services received from personnel of affiliate	227,036
Changes in operating assets and liabilities	
Promises to give, net	746,051
Accounts payable	1,995
Net Cash from Operating Activities	<u>323,662</u>
Investing Activities	
Purchases of investments	(1,199,305)
Proceeds from sales of investments	1,042,601
Addition to endowment	<u>(484,328)</u>
Net Cash used for Investing Activities	<u>(641,032)</u>
Financing Activities	
Collections of contributions restricted to endowment	<u>641,048</u>
Net Change in Cash	323,678
Cash, Beginning of Year	<u>178,003</u>
Cash, End of Year	<u><u>\$ 501,681</u></u>
Supplemental schedule of noncash investing and financing activities	
Receipt of donated goods and equipment	\$ 26,603
Services received from personnel of an affiliate	227,036

**Note 1 - Principal Activity and Significant Accounting Policies****Organization**

Northeast Iowa Community College Foundation (the College Foundation) is an Iowa nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3). The College Foundation was organized exclusively for charitable, educational, and scientific purposes, making distributions to Northeast Iowa Community College (College) (a publicly supported school organized and operating under the provisions of Chapter 260C of the Iowa Code). Because the College has access to the College Foundation's resources, the College Foundation is a component unit of the College. None of the other funds of the College are included in these financial statements. Rather, they are presented as a separate financial report under separate cover.

**Cash and Cash Equivalents**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Promises to Give**

The College Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2023, the allowance was \$34,242.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The College Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, 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. The College Foundation reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Donor restricted contributions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### **Revenue and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The College Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

### **In-kind Contributions**

In-kind contributions include professional services and supplies which are recorded at the respective fair values of the goods or services received (Note 7). The College Foundation does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

### **Services Received from Personnel of an Affiliate**

Employees of an affiliated organization contribute significant amounts of time to the College Foundation's supporting services. These services are considered services received from personnel of an affiliate and are recorded as net asset transfers and expenses in the statement of activities and expenses in the statement of functional expenses.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

### **Income Taxes**

Northeast Iowa Community College Foundation is a nonprofit corporation qualifying for exempt status under Section 501(c)(3) of the Internal Revenue Code and is not required to pay income tax. The College Foundation is required to file an annual informational return for organizations exempt from income tax. In addition, the College Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code. Management of the College Foundation believes it has no material uncertain tax provisions and accordingly, it will not recognize any liability for unrecognized tax benefits.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the College Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, and those differences could be material.

### **Concentrations of Credit Risk**

The College Foundation receives substantially all of its support from contributions from businesses and individuals in Northeast Iowa. A significant reduction in the level of support, if this were to occur, would have a material effect on the College Foundation's programs and activities.

### **Financial Instruments and Credit Risk**

The College Foundation manages deposit concentration risk by placing cash in money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per insured bank, for each account ownership category. At June 30, 2023, the College Foundation had no deposits that exceeded FDIC insured limits. To date, the College Foundation has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Board. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board believe that the investment policies and guidelines are prudent for the long-term welfare of the College Foundation. A portion of the College Foundation's cash balance is held in pooled cash at the College and is covered under federal depository insurance or by the State Sinking Fund in Accordance with Chapter 12C of the Code of Iowa.

### **Subsequent Events**

The College Foundation has evaluated subsequent events through December 8, 2023, the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor, board, or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2023:

Cash and cash equivalents	<u>\$ 501,681</u>
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As part of the liquidity policy, cash in excess of daily requirements is invested in savings and money market funds. Financial assets are structured to be available as its general expenditures, liabilities, and other obligations come due. The financial assets available for general expenditure are comprised of cash and cash equivalents.

**Note 3 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the College Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

# Northeast Iowa Community College Foundation

Notes to Financial Statements

June 30, 2023

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds, bonds and stocks with readily determinable fair values based on daily redemption values. Certain bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

Investments	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds (at cost)	\$ 99,420	\$ -	\$ -	\$ -
Bond mutual funds	1,197,039	1,197,039	-	-
Corporate bonds	62,657	18,392	44,265	-
Common stock	1,363,796	1,363,796	-	-
Preferred stock	206,937	206,937	-	-
Equity mutual funds	1,939,571	1,939,571	-	-
REIT's	23,890	23,890	-	-
	<u>\$ 4,893,310</u>	<u>\$ 4,749,625</u>	<u>\$ 44,265</u>	<u>\$ -</u>

## Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023:

Within one year	\$ 309,942
In one to five years	<u>543,035</u>
	852,977
Less discounts to net present value at rates 0.30% to 3.74%	(54,181)
Less allowance for uncollectible promises to give	<u>(34,242)</u>
	<u>\$ 764,554</u>
Promises to give, net	\$ 135,593
Endowment promises to give, net	<u>628,961</u>
	<u>\$ 764,554</u>

At June 30, 2023, four donors accounted for 31 percent of total promises to give. At June 30, 2023, there was \$148,500 due from College Foundation board members.

**Note 5 - Endowment**

The College Foundation’s endowment (the Endowment) consists of approximately 70 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors has interpreted the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023, there were no such donor stipulations. As a result of this interpretation, the College Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- 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 organization
- The investment policies of the organization

As of June 30, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-Designated Endowment Funds	\$ 417,455		\$ 417,455
Donor-Restricted Endowment Funds			
Original donor-restricted gift amounts	-	3,897,634	3,897,634
Accumulated investment gains	-	588,421	588,421
	<u>\$ 417,455</u>	<u>\$ 4,486,055</u>	<u>\$ 4,903,510</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The College Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of \$285,496, fair values of \$282,784, and deficiencies of \$2,712 were reported in net assets with donor restrictions. These amounts are expected to be fully recovered.

### Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. The endowment is invested to achieve a real rate of return of 5%, net of fees and inflation. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to a level of risk that is not acceptable to the Board of Directors. In order to meet the above investment objectives, the College Foundation adopted a moderate risk tolerance with a time horizon of five to ten years.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The College Foundation has a policy of appropriating each year 5% of the sixteen quarters rolling average market value of all endowment assets. The spending allowance is calculated in the third quarter of the fiscal year and is allocated to individual endowments based on their pro-rated portion of the overall spending allowance. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the years ended June 30, 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment</u>
Endowment net assets, beginning of year	\$ 469,165	\$ 3,523,091	\$ 3,992,256
Contributions	1,000	682,604	683,604
Investment return, net		460,125	460,125
Amounts undesignated by the Board		-	-
Amounts appropriated for expenditure	<u>(52,710)</u>	<u>(179,765)</u>	<u>(232,475)</u>
Endowment net assets, end of year	<u>\$ 417,455</u>	<u>\$ 4,486,055</u>	<u>\$ 4,903,510</u>



**Note 6 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Expenditure for Specified Purpose	
General scholarships	\$ 18,047
Student support	125,538
Employee support	43,912
Facilities	11,290
Diversity & inclusion	2,000
Promises to give, the proceeds from which have been restricted by donors for	
Scholarships	58,048
RAMS Center	46,633
Student support	970
	<u>306,438</u>
Subject to the Passage of Time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>29,942</u>
Endowments	
Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for	
General use	40,227
Employee support	19,089
Scholarships	509,682
Student support	17,831
Technology and innovation	1,592
	<u>588,421</u>

# Northeast Iowa Community College Foundation

Notes to Financial Statements

June 30, 2023

Perpetual in nature, earnings from which are subject to endowment spending policy appropriation

General use	\$ 599,006
Diversity and inclusion	37,189
NECAS	67,275
Scholarships	2,334,176
Student support	83,786
Technology and innovation	128,682
Employee support	21,271

Unconditional promises to give, net - permanently restricted for

General use	276,850
Diversity and inclusion	49,978
NECAS	23,868
Scholarships	172,328
Student support	3,769
Technology and innovation	102,168
Underwater endowments	<u>(2,712)</u>

3,897,634

Total Endowments 4,486,055

Total Net Assets with Donor Restrictions \$ 4,822,435

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Satisfaction of Purpose Restrictions

General scholarships	\$ 157,272
Student support	525,586
Employee support	<u>1,900</u>

684,758

Restricted-purpose Spending-rate Distributions and Appropriations

General use	55,078
Employee support	3,678
Scholarships	114,880
Student support	<u>6,129</u>

179,765

Total Net Assets Released from Restrictions \$ 864,523

**Note 7 - In-kind Contributions**

For the year ended June 30, 2023, in-kind contributions recognized within the statements of activities included the following:

Professional services	\$ 19,475
Educational supplies	3,690
Fundraising supplies	<u>3,438</u>
Total in-kind contributions	<u>\$ 26,603</u>

Contributed professional services are provided by accountants related to the College Foundation's annual financial statements. Contributed professional services are used for administration activities and are recognized at fair value based on current rates for similar services.

Contributed educational supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Contributed education supplies are used in program grant expense activities.

Contributed fundraising supplies are used as auction items as part of the College Foundation's fundraising events. Contributed fundraising supplies used for fundraising activities and are valued using estimated U.S. wholesale prices (principal market) of identical or similar products.

The College Foundation's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the College Foundation. If an asset is provided that does not allow the College Foundation to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

All but \$1,582 of in-kind contributions received by the College Foundation for the year ended June 30, 2023 were without donor restrictions and able to be used by the College Foundation as determined by the Board of Directors and management.

**Note 8 - Related Party Transactions / Services Received from Personnel of an Affiliate**

The College Foundation primarily raises money for scholarships for students attending the College as well as helping to defray costs for its programs. During the year ended June 30, 2023, the College Foundation funded the College for scholarships, grants and program assistance totaling \$1,111,918.

There were no amounts due to the College Foundation from the College at June 30, 2023.

# Northeast Iowa Community College Foundation

Notes to Financial Statements

June 30, 2023

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The College Foundation's supporting services functions are performed by Northeast Iowa Community College as a fiscal agent. During the year ended June 30, 2023, the College employed staff to operate the College Foundation. The College also provided human resources services, internet and mailing services, office space and office equipment without charge. Services received from the College are measured at the College's estimate of the costs it incurred in providing those services. Facilities and office equipment are included in indirect expenses. During the year ended June 30, 2023, these services totaled \$227,036.

## **Note 9 - Correction of Error**

In the prior year, the College Foundation recorded investments held in trust at community foundations, even when variance power had been granted to the community foundations, based on the remote likelihood of the variance power being invoked. During 2023, the recording of these investments was re-elevated using current accounting guidance. This resulted in the investments held in trust at community foundations being removed from the statement of financial position and the June 30, 2022 net assets being restated. In addition, reclassifications between net asset categories were made to properly reflect donor restrictions.

The following is a summary of the effects of the restatement in the College Foundation's June 30, 2022 statement of financial position:

	As Previously Reported	Adjustment	As Restated
As of June 30, 2022			
Without donor restrictions	\$ 1,667,091	\$ (160,519)	\$ 1,506,572
With donor restrictions	4,520,357	(589,874)	3,930,483
Total net assets	\$ 6,187,448	\$ (750,393)	\$ 5,437,055



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

The Board of Directors  
Northeast Iowa Community College Foundation  
Calmar, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Northeast Iowa Community College Foundation (the College Foundation), which comprise the College Foundation’s statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 8, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College Foundation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the College Foundation’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **The College Foundation's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the College Foundation's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The College Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa  
December 8, 2023

**2023-001      Preparation of Financial Statements and Material Restatement and Adjustments  
Material Weakness**

*Criteria:* A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements in accordance with generally accepted accounting principles by internal personnel of the entity.

*Condition:* As auditors, we were requested to draft the financial statements, including the accompanying footnotes. In addition, during the course of our engagement, we proposed a material restatement to the beginning net assets related to investments held in trust at community foundations and material adjustments to net asset classifications.

*Cause:* The outsourcing of preparation of the annual year-end financial statements is not unusual in an organization of your size. We recognize that with a limited number of office staff, preparation of the financial statements is difficult.

*Effect:* The effect of this condition is that the year-end financial reporting is prepared by a party outside the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. In addition, there was financial data not in accordance with generally accepted accounting principles.

*Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances.

*Views of Responsible Officials:* Management agrees with the finding.