

Lee College Foundation, Inc.
Financial Statements
August 31, 2021 and 2020
(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lee College Foundation, Inc.:

We have audited the accompanying financial statements of Lee College Foundation Inc., (the "Foundation") which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lee College Foundation, Inc. as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jaynes, Reitzmeier, Boyd & Hewell, P.C.

November 22, 2021

Lee College Foundation, Inc.

Statements of Financial Position

August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,444,146	2,121,110
Contributions receivable	3,975	100
Prepaid expenses	4,325	-
Investments	<u>14,523,725</u>	<u>12,269,828</u>
	<u>\$ 16,976,171</u>	<u>14,391,038</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 59,499	17,829
Funds held for the benefit of others	<u>51,980</u>	<u>7,048</u>
Total liabilities	<u>111,479</u>	<u>24,877</u>
Net assets:		
Without donor restrictions:		
Board designated	109,200	101,328
Unrestricted	<u>967,912</u>	<u>901,637</u>
Total without donor restrictions	<u>1,077,112</u>	<u>1,002,965</u>
With donor restrictions:		
Purpose restriction	618,646	493,225
Perpetual in nature	7,550,440	7,410,757
Accumulated investment gains available for spending policy	<u>7,618,494</u>	<u>5,459,214</u>
Total with donor restrictions	<u>15,787,580</u>	<u>13,363,196</u>
Total net assets	<u>16,864,692</u>	<u>14,366,161</u>
	<u>\$ 16,976,171</u>	<u>14,391,038</u>

See accompanying notes to financial statements.

Lee College Foundation, Inc.

Statement of Activities

Year Ended August 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Contributions	\$ 428,947	567,833	996,780
Net investment income	-	2,691,006	2,691,006
Net assets released from restrictions	<u>834,455</u>	<u>(834,455)</u>	<u>-</u>
Total revenue and other support	<u>1,263,402</u>	<u>2,424,384</u>	<u>3,687,786</u>
Expenses:			
Program expenses:			
Scholarships	794,356	-	794,356
Capital facilities assistance	10,000	-	10,000
Emergency assistance	<u>30,099</u>	<u>-</u>	<u>30,099</u>
Total program expenses	<u>834,455</u>	<u>-</u>	<u>834,455</u>
Management and general	<u>354,800</u>	<u>-</u>	<u>354,800</u>
Total expenses	<u>1,189,255</u>	<u>-</u>	<u>1,189,255</u>
Change in net assets	74,147	2,424,384	2,498,531
Net assets at beginning of year	<u>1,002,965</u>	<u>13,363,196</u>	<u>14,366,161</u>
Net assets at end of year	<u><u>\$ 1,077,112</u></u>	<u><u>15,787,580</u></u>	<u><u>16,864,692</u></u>

See accompanying notes to financial statements.

Lee College Foundation, Inc.

Statement of Activities

Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Contributions	\$ 349,073	629,576	978,649
Special events, net of fund-raising expenses of \$19,135	164,953	-	164,953
Net investment income	7,702	1,227,260	1,234,962
Net assets released from restrictions	1,041,657	(1,041,657)	-
Total revenue and other support	1,563,385	815,179	2,378,564
Expenses:			
Program expenses:			
Scholarships	820,557	-	820,557
Capital facilities assistance	225,500	-	225,500
Emergency assistance	168,226	-	168,226
Total program expenses	1,214,283	-	1,214,283
Management and general	288,092	-	288,092
Total expenses	1,502,375	-	1,502,375
Change in net assets	61,010	815,179	876,189
Net assets at beginning of year	941,955	12,548,017	13,489,972
Net assets at end of year	\$ 1,002,965	13,363,196	14,366,161

See accompanying notes to financial statements.

Lee College Foundation, Inc.

Statements of Functional Expenses

Years Ended August 31, 2021 and 2020

		Year Ended August 31, 2021				
		Program Services		Supporting Services		
		Scholarships and Capital Facilities Assistance	Emergency Assistance	Management and General	Total	
Scholarships	\$	794,356	-	-	794,356	
Capital facilities assistance		10,000	-	-	10,000	
Emergency assistance		-	30,099	-	30,099	
Contract services		-	-	10,874	10,874	
Insurance		-	-	2,524	2,524	
In-kind expenses		-	-	336,640	336,640	
Other		-	-	4,762	4,762	
		<u>\$ 804,356</u>	<u>30,099</u>	<u>354,800</u>	<u>1,189,255</u>	
		Year Ended August 31, 2020				
		Program Services		Supporting Services		
		Scholarships and Capital Facilities Assistance	Emergency Assistance	Management and General	Fund- raising	Total
Scholarships	\$	820,557	-	-	-	820,557
Capital facilities assistance		225,500	-	-	-	225,500
Emergency assistance		-	168,226	-	-	168,226
Contract services		-	-	21,900	-	21,900
Insurance		-	-	1,984	-	1,984
Gala expenses		-	-	-	19,135	19,135
In-kind expenses		-	-	256,638	-	256,638
Other		-	-	7,570	-	7,570
		<u>1,046,057</u>	<u>168,226</u>	<u>288,092</u>	<u>19,135</u>	<u>1,521,510</u>
Total expenses by function						
Less expenses included in revenues		<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,135)</u>	<u>(19,135)</u>
		<u>\$ 1,046,057</u>	<u>168,226</u>	<u>288,092</u>	<u>-</u>	<u>1,502,375</u>

See accompanying notes to financial statements.

Lee College Foundation, Inc.

Statements of Cash Flows

Years Ended August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,498,531	876,189
Adjustments to reconcile change in net assets to net cash used in operations:		
Cash contributions restricted for endowment	(139,683)	(139,675)
Net investment gains	(2,735,233)	(1,251,363)
Changes in operating assets and liabilities:		
Contributions receivable	(3,875)	70,970
Prepaid expenses	(4,325)	-
Accrued interest receivable	-	38,125
Accounts payable	41,670	11,079
Deferred revenue	-	(73,125)
Funds held for the benefit of others	44,932	(91,550)
Net cash used in operating activities	(297,983)	(559,350)
Cash flows from investing activities:		
Proceeds from sales of investments	481,336	1,623,697
Net cash provided by investing activities	481,336	1,623,697
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	139,683	139,675
Net cash provided by financing activities	139,683	139,675
Net increase in cash and cash equivalents	323,036	1,204,022
Cash and cash equivalents at beginning of year	2,121,110	917,088
Cash and cash equivalents at end of year	\$ 2,444,146	2,121,110

See accompanying notes to financial statements.

Lee College Foundation, Inc.

Notes to Financial Statements

August 31, 2021 and 2020

(1) Summary of Significant Accounting Policies and Practices(a) Organization and Nature of Activities

Lee College Foundation, Inc. (the “Foundation”) was created to solicit and receive support for purposes of developing and extending the facilities of Lee College District (the “District”) and enhancing the educational opportunities of residents in the geographical area the District serves. The Foundation receives a significant portion of its revenue through contributions from individuals and businesses in the District’s service area. The Foundation is governed by a 25 member board of directors, which includes three appointed District regents.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP.

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

- *Net Assets Without Donor Restrictions* – these net assets are available for general use and not subject to donor restrictions and may be used at the discretion of the Board of Directors.
- *Net Assets With Donor Restrictions* – these net assets represent contributions that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity with the earnings to be spent on scholarships for students of the District.

Donor restricted contributions and realized and unrealized gains and losses are reported as increases and decreases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Lee College Foundation, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies and Practices (continued)(c) Revenues and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or are designed as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(d) Cash and Cash Equivalents

The Foundation considers all highly-liquid investments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. The Foundation had \$1,580,979 and \$1,580,531 in cash equivalents at August 31, 2021 and 2020, respectively.

(e) Investments

Net investments are measured at their fair value in the accompanying statements of financial position. 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. See Note 3 for further discussion of fair value measurements.

Investment income (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets with or without donor restrictions based upon the nature and restrictions of the underlying assets.

Lee College Foundation, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies and Practices (continued)(f) Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is generally not subject to federal income tax.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation records interest and penalties related to unrecognized tax benefits in management and general expenses.

(g) Fair Value Measurements

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Lee College Foundation, Inc.

Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies and Practices (continued)

(h) Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocation are determined by management on an equitable basis that is consistently applied.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates include the fair value of investments. Actual results could differ from those estimates.

(2) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position sheet date, are comprised of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,444,146	2,121,110
Contributions receivable	3,975	100
Investments	<u>14,523,725</u>	<u>12,269,828</u>
	16,971,846	14,391,038
Less amounts not available to be used within one year:		
Amounts with donor purpose restrictions	(618,646)	(493,225)
Amounts held in perpetuity	(7,550,440)	(7,410,757)
Amounts held for benefit of others	(51,980)	(7,048)
Board designated net assets for scholarships and purpose to be determined	<u>(109,200)</u>	<u>(101,328)</u>
	<u>\$ 8,641,580</u>	<u>6,378,680</u>

Lee College Foundation, Inc.

Notes to Financial Statements
(Continued)

(2) Liquidity and Availability (continued)

As described in Note 4, the Foundation's endowments, which are used to fund scholarships, are subject to an annual spending rate, which is 4.5% of the funds' average monthly market value over the preceding 36 months for the year ended August 31, 2021 and 2020. As of August 31, 2021, a spendable amount of \$564,554 has been designated by the Board from these endowments for the next twelve months.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, it invests cash in excess of daily requirements in deposit and money market accounts. Although the Foundation does not intend to spend from their endowment (other than amounts appropriated per the board's annual spending rate approval), these amounts could be made available if necessary.

(3) Investments and Fair Value Hierarchy

Investments at August 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Funds of management investment company:		
Multi-strategy equity fund	\$ 11,226,691	9,048,353
Multi-strategy bond fund	<u>3,297,034</u>	<u>3,221,475</u>
	<u>\$ 14,523,725</u>	<u>12,269,828</u>

The fair values of the investments as of August 31, 2021 and 2020 represent the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset.

Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates available and observable and unobservable inputs.

The fair value of investments is estimated using the net asset value of shares held by the Foundation at year-end as a practical expedient.

Lee College Foundation, Inc.Notes to Financial Statements
(Continued)(3) Investments and Fair Value Hierarchy (continued)

The funds of a management investment company (the Multi-Strategy Equity Fund and Multi-Strategy Bond Fund) are investments in the Common Fund for Nonprofit Organizations (“Commonfund”), a tax-exempt membership corporation that pools endowment funds for the exclusive benefit of eligible educational institutions. The investment objectives of the Multi-Strategy Equity Fund is to add value over long time periods above the return of the U.S. equity market as measured by the S&P 500 Index with similar risk characteristics. The Multi-Strategy Equity Fund is invested principally in a diversified portfolio of marketable common stocks and other marketable equity type investments including, but not limited to, convertible bonds, convertible preferred stocks, and warrants. The investment objectives of the Multi-Strategy Bond Fund is to add value above the return of the broad U.S. bond market over a full market cycle, as measured by the Barclays Capital U.S. Aggregate Bond Index with similar characteristics providing broad exposure to global debt markets. The Multi-Strategy Bond Fund is invested principally in, but not limited to, obligations of or guaranteed by the U.S. government and its agencies, debt securities rated Baa or better by Moody’s or BBB or better by Standard and Poor’s, and obligations of or guaranteed by national or state banks or bank holding companies which are rated A or better by Fitch Investors Services. Redemption provisions vary by fund but are typically either monthly or quarterly. However, the funds have the ability to impose a suspension or postponement of redemptions on the payment of a portion of redemption proceeds until the annual audited financial statements of the funds are distributed. In some cases, the funds may also limit redemptions to month-end or quarter-end, and require 10 to 60 days advance written notice. There are no unfunded commitments related to these investments.

(4) Endowments

The Foundation’s net assets with donor restrictions at August 31, 2021 and 2020 consisted of donor-restricted endowment funds that have been established for scholarships and capital facilities and other assistance. As required by professional standards, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Explicit donor stipulations define amounts that may be expended for each of the Foundation’s endowments. As a result, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations (decrements) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

Lee College Foundation, Inc.

Notes to Financial Statements
(Continued)

(4) Endowments (continued)

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets must be invested in a conservative manner. Earnings are added to the endowment funds until such time as they are released to be expended on scholarships in accordance with the Foundation's spending policy.

Following is a summary of the changes to the endowment funds for the years ended August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	With Donor Restrictions	With Donor Restrictions
Balance, beginning of year	\$ 13,363,196	12,548,017
Contributions	567,833	629,576
Interest and dividends	519	19,063
Net investment gains	2,735,233	1,251,363
Investment fees	(44,746)	(43,166)
Scholarships, capital facilities assistance, and other assistance awarded	<u>(834,455)</u>	<u>(1,041,657)</u>
Balance, end of year	<u>\$ 15,787,580</u>	<u>13,363,196</u>

(5) Net Assets Without Donor Restrictions – Board Designated

Net assets without donor restrictions designated by the Board for the following purposes at August 31, 2021 and 2020 consists of:

	<u>2021</u>	<u>2020</u>
Marjorie Eastwood Estate - use to be determined at a later date	\$ 99,300	90,728
Kids at College - Scholarship	<u>9,900</u>	<u>10,600</u>
	<u>\$ 109,200</u>	<u>101,328</u>

Lee College Foundation, Inc.

Notes to Financial Statements
(Continued)

(6) Net Assets With Donor Restrictions - Purpose Restriction

Net assets with donor restrictions that are restricted as to a purpose are available for the following specific programs at August 31, 2021 and 2020:

	2021	2020
Scholarships	\$ 497,565	453,225
Facilities	45,000	30,000
Other awards	76,081	10,000
	\$ 618,646	493,225

(7) Net Assets With Donor Restrictions – Perpetual in Nature

Net assets with donor restrictions that are restricted as perpetual in nature at August 31, 2021 and 2020 consists of various endowment funds to be held in perpetuity, the income of which is available to be spent in accordance with the Foundation's spending policy as described in Note 2. Income generated from these funds are recorded as net assets with donor restrictions until released to be spent on scholarships.

(8) Net Investment Income

Net investment income is comprised of the following for the years ended August 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 519	26,765
Net investment gains	2,735,233	1,251,363
Investment fees	(44,746)	(43,166)
	\$ 2,691,006	1,234,962

Lee College Foundation, Inc.

Notes to Financial Statements
(Continued)

(9) In-Kind Contributions

The District provides administrative personnel and general office services to the Foundation at no cost. These services, substantially all of which are related to management and general activities, are reflected in the accompanying financial statements at the cost recognized by the District for the personnel providing those services. Below is a summary of these contributions for the year ended August 31, 2021 and 2020:

	2021	2020
Salaries and benefits	\$ 258,249	156,126
General office expense	5,000	5,000
Software	56,553	60,564
Rent and utilities	5,850	5,850
	\$ 325,652	227,540

(10) Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Foundation to significant concentrations of credit and market risk consist primarily of cash and cash equivalents and investments.

At August 31, 2021 and 2020, and at various times during the years, the balance of deposits at a financial institution exceeded the amount of federal deposit insurance coverage.

Investment diversification can subject the Foundation to risk arising from such factors as interest rate fluctuations, credit deterioration, market fluctuations and changes in regulatory and political policy which can result in actual losses or inadequate investment returns. Management believes the Foundation's investments do not represent significant concentrations of market risk, and the possibility of significant adverse impact upon the financial condition of the Foundation arising from such risk is remote.

(11) Subsequent Events

The Foundation has evaluated subsequent events from the date of the statements of financial position through November 22, 2021, the date at which the financial statements were available to be issued, and determined there are no items to disclose.