

NORTHEAST IOWA COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2020

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**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

To the Board of Directors
Northeast Iowa Community College Foundation
Calmar, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Northeast Iowa Community College Foundation (a nonprofit corporation), a component unit of Northeast Iowa Community College, which comprise the statements of financial position as of June 30, 2020 and 2019, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 College Foundation'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 College Foundation'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 Northeast Iowa Community College Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, on our consideration of Northeast Iowa Community 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 Northeast Iowa Community 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 Northeast Iowa Community College Foundation's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 28, 2020

NORTHEAST IOWA COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 108,679	\$ 123,993
Pledges receivable, less allowance for uncollectible pledges, net of discount	75,054	70,113
Total current assets	183,733	194,106
OTHER ASSETS		
Pledges receivable, less allowance for uncollectible pledges, net of discount	121,751	144,522
Investments	3,971,412	3,639,296
Investments held in trust at Community Foundations	655,343	658,535
Total assets	\$ 4,932,239	\$ 4,636,459

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 10,763
Total current liabilities	-	10,763
NET ASSETS		
Without donor restrictions	1,805,339	1,531,693
With donor restrictions	3,126,900	3,094,003
Total net assets	4,932,239	4,625,696
Total liabilities and net assets	\$ 4,932,239	\$ 4,636,459

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS						
Contributions	\$ 644,616	\$ 565,033	\$ 1,209,649	\$ 508,056	\$ 676,870	\$ 1,184,926
Grant proceeds		226,444	226,444		90,562	90,562
Special events, fundraising	25,518		25,518	54,770		54,770
Investment return, net	58,825	125,918	184,743	73,321	235,968	309,289
Miscellaneous	-	-	-	15,855	36,273	52,128
Net assets released from restrictions:						
Satisfaction of purpose restrictions	784,262	(784,262)	-	716,450	(716,450)	-
Satisfaction of time restrictions	100,236	(100,236)	-	62,572	(62,572)	-
Total public support, revenues and reclassifications	1,613,457	32,897	1,646,354	1,431,024	260,651	1,691,675
EXPENSES						
Programs:						
Scholarships	183,448		183,448	172,809		172,809
Program grant expense	745,208		745,208	512,075		512,075
Administration	21,325		21,325	17,774		17,774
Fundraising	389,830		389,830	421,237		421,237
Total expenses	1,339,811	-	1,339,811	1,123,895	-	1,123,895
CHANGE IN NET ASSETS	273,646	32,897	306,543	307,129	260,651	567,780
NET ASSETS, beginning of year	1,531,693	3,094,003	4,625,696	1,224,564	2,833,352	4,057,916
NET ASSETS, end of year	\$ 1,805,339	\$ 3,126,900	\$ 4,932,239	\$ 1,531,693	\$ 3,094,003	\$ 4,625,696

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE FOUNDATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 For the Years Ended June 30, 2020 and 2019

	2020					
	Scholarships	Program Grant Expense	Total Program	Administration	Fundraising	Total
Scholarships	\$ 183,448		\$ 183,448			\$ 183,448
Wages and related expenses			-		\$ 239,518	239,518
Professional services			-	\$ 20,590	9,135	29,725
Supplies			-	24		24
Donated materials and supplies		\$ 132,607	132,607			132,607
Meeting expense			-	258	4,298	4,556
Other services			-	453		453
Event expense			-		2,535	2,535
Memberships			-		708	708
Printing and reproduction services			-		7,316	7,316
Materials and supplies			-		3,932	3,932
Travel			-		2,412	2,412
Funds sent to the College		612,601	612,601			612,601
Indirect			-		119,976	119,976
	<u>\$ 183,448</u>	<u>\$ 745,208</u>	<u>\$ 928,656</u>	<u>\$ 21,325</u>	<u>\$ 389,830</u>	<u>\$ 1,339,811</u>
	2019					
	Scholarships	Program Grant Expense	Total Program	Administration	Fundraising	Total
Scholarships	\$ 172,809		\$ 172,809			\$ 172,809
Wages and related expenses			-		\$ 249,038	249,038
Professional services			-	\$ 15,855	7,515	23,370
Supplies			-	42		42
Donated materials and supplies		\$ 36,273	36,273			36,273
Meeting expense			-	1,685	7,458	9,143
Other services			-	192		192
Event expense			-		22,551	22,551
Memberships			-		4,003	4,003
Printing and reproduction services			-		1,128	1,128
Materials and supplies			-		4,031	4,031
Travel			-		1,435	1,435
Funds sent to the College		475,802	475,802			475,802
Indirect			-		124,078	124,078
	<u>\$ 172,809</u>	<u>\$ 512,075</u>	<u>\$ 684,884</u>	<u>\$ 17,774</u>	<u>\$ 421,237</u>	<u>\$ 1,123,895</u>

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 306,543	\$ 567,780
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized gains on long-term investments	(109,842)	(225,707)
(Increase) decrease in pledges receivable	(4,941)	32,580
(Decrease) increase in accounts payable and other current liabilities	(10,763)	634
	180,997	375,287
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in pledges receivable, long-term	22,771	(117,161)
Decrease (increase) in investments held by Community Foundations	3,192	(143,017)
Proceeds from sale of long-term investments	1,369,244	1,286,112
Purchase of long-term investments	(1,591,518)	(1,371,652)
	(196,311)	(345,718)
Net (decrease) increase in cash and cash equivalents	(15,314)	29,569
CASH AND CASH EQUIVALENTS		
Beginning of year	123,993	94,424
End of year	\$ 108,679	\$ 123,993
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	\$ None	\$ None
Income taxes	\$ None	\$ None
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Receipt of donated goods and equipment	\$ 129,530	\$ None
Receipt of services and office space from College	\$ 387,295	\$ 398,686

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. Purpose of College Foundation and Significant Accounting Policies

a. Purpose

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.

b. Method of Accounting

The accompanying financial statements of Northeast Iowa Community College Foundation have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

c. Basis of Presentation

The College Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are composed of all resources not included in the net assets with donor restrictions category. The governing board has designated, from net assets without donor restrictions, net assets for board-designated scholarships. Included are expendable resources used to support the College Foundation's core activities. All expenses are recorded as a reduction to net assets without donor restrictions.

Net assets with donor restrictions carry restrictions that expire upon the passage of a prescribed period, upon the occurrence of a stated event as specified by the donor, or those that may never be spent by the College Foundation, including gifts of endowment. Donor-restricted resources intended for a specific purpose are released and reclassified as without donor restrictions when spent on the intended purpose. Also included in this category are pledges receivable that are permanently restricted upon redemption or maturity.

d. Cash and Cash Equivalents

The College Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

e. Due to/from Affiliate

Northeast Iowa Community College acts as a fiscal agent for the College Foundation. Transactions between the College Foundation and the College are accounted through due to/from affiliate.

1. Purpose of College Foundation and Significant Accounting Policies (Continued)

f. Pledges Receivable

Contributions are recognized when the donor makes a promise to give a donation to the College Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated 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 provides an allowance for doubtful accounts, as needed, for pledges deemed uncollectible. This allowance is \$13,686 and \$15,157 as of June 30, 2020 and 2019, respectively. A discount of 4% is recorded for the net present value of pledges receivable.

g. Investments

The College Foundation carries investments in marketable securities with readily determinable fair values in the statements of financial position. Unrealized gains and losses net of investment expense are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Certain pooled investments, other marketable securities, and funds held in trust by others are recorded at fair value by management based on values provided by an external investment manager and quoted market values. Other pooled investments include certain equity and alternative investments whose fair values (net asset values (NAV) used as a practical expedient) have been estimated by management utilizing information provided by the respective funds' general manager and investment managers in the absence of readily determinable fair market values. The estimated values may differ materially from the values that would have been used had readily available markets for the investments existed.

h. 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 and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Direct program service expenses are allocated based on usage. Payroll expenses and indirect program service expenses are allocated based on time and effort.

i. 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. The College Foundation adopted the provisions of *Accounting for Uncertainty in Income Taxes*, on July 1, 2009. 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.

NOTES TO FINANCIAL STATEMENTS

1. Purpose of College Foundation and Significant Accounting Policies (Continued)

j. 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.

The College Foundation's cash balances at a local financial institution fluctuate during the year and at various times may exceed the Federal Deposit Insurance Corporation \$250,000 insurance limit. Management continually monitors the financial condition of this financial institution along with the cash balances maintained on deposit with it in order to minimize this potential risk.

k. Contributed Services

The College Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the College Foundation with many of its activities. The College pays the salaries and benefits, as well as provides professional and shared services needed to operate the College Foundation.

l. Management Estimates

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

m. Fundraising

A portion of the College Foundation's fundraising expenses is derived from in-kind contributions. The College Foundation conducts fundraising activities with the assistance of and in conjunction with the College.

n. Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an organization to recognize revenue for the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. The new standard is effective for the College Foundation's year ending June 30, 2021. The adoption of the new standard is not expected to have a material effect on the College Foundation's financial position, results of operations or cash flows.

o. Subsequent Events

Subsequent events were evaluated through December 28, 2020, the date on which the financial statements were available to be issued.

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 108,679	\$ 123,993

NOTES TO FINANCIAL STATEMENTS

2. Liquidity and Availability (Continued)

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 unrestricted investments. The unrestricted investments represent non-endowed assets that are unrestricted, have not been designated to a specific purpose and can be used by the College Foundation at any time. The asset allocation and investment performance are reviewed by the College Foundation's Investment Committee annually. It is expected that the underlying funds will have sufficient liquidity in order to meet any unexpected cash needs.

3. Investments

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
2020			
Investments in:			
Money market funds	\$ 125,660		\$ 125,660
Bond fund	1,280,651		1,280,651
Corporate bonds	11,737	\$ 7,210	18,947
Common stock	1,842,470		1,842,470
Preferred stock	175,961		175,961
Mutual funds	518,389		518,389
Alternative assets	9,334		9,334
	<u>\$ 3,964,202</u>	<u>\$ 7,210</u>	<u>3,971,412</u>
Alternative investments, measured at NAV as a practical expedient			<u>655,343</u>
Total investments			<u>\$ 4,626,755</u>
2019			
Investments in:			
Money market funds	\$ 90,827		\$ 90,827
Bond fund	1,184,093		1,184,093
Corporate bonds	11,136	\$ 6,637	17,773
Common stock	1,691,109		1,691,109
Preferred stock	148,694		148,694
Mutual funds	449,305		449,305
Alternative assets	57,495		57,495
	<u>\$ 3,632,659</u>	<u>\$ 6,637</u>	<u>3,639,296</u>
Alternative investments, measured at NAV as a practical expedient			<u>658,535</u>
Total investments			<u>\$ 4,297,831</u>

NOTES TO FINANCIAL STATEMENTS

3. Investments (Continued)

The following table summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 114,236	\$ 109,730
Net realized and unrealized gains	109,841	225,707
Investment expense	(39,334)	(26,148)
 Total investment returns	 \$ 184,743	 \$ 309,289

Fair values for short-term and long-term investments are determined by level 1 or level 2 inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

The College Foundation uses outside parties in the management of its marketable securities and equity investments portfolios. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition (identified lot basis) to proceeds at the time of disposal, or market values at the balance sheet date, respectively, and include the effects of currency translation with respect to transactions and holdings of foreign securities.

4. Unconditional Pledges

Unconditional pledges at June 30, 2020 and 2019 are as follows:

	2020	2019
Receivable in less than one year	\$ 83,215	\$ 77,748
Receivable in one to five years	144,898	174,880
 Total unconditional promises to give	228,113	252,628
Less discounts to net present value	(17,622)	(22,836)
Less allowance for uncollectible pledges	(13,686)	(15,157)
 Net unconditional promises to give	 \$ 196,805	 \$ 214,635
 Current unconditional promises to give	\$ 75,054	\$ 70,113
Long-term unconditional promises to give	121,751	144,522
	\$ 196,805	\$ 214,635

5. Conditional Promises to Give

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no conditional promises to give at June 30, 2020 and 2019.

6. Net Assets

Net assets of the College Foundation consist of the following:

➤ Without donor restrictions, undesignated:

These net assets are available for general obligations of the College Foundation. As of June 30, 2020, there was \$225,125 of net assets, which are available for general obligations of the College Foundation. As of June 30, 2019, the amount was \$446,770.

➤ Without donor restrictions, designated:

As of June 30, 2020, there was \$529,640 of net assets, which are earnings from permanently endowed scholarships, which are designated by the Board for scholarships to be awarded in the future. As of June 30, 2019, the amount was \$264,882.

As of June 30, 2020, there was \$89,744 of net assets, which are designated by the Board for scholarships to be awarded in the future. As of June 30, 2019, the amount was \$89,744.

As of June 30, 2020, there was \$422,636 of net assets, which are designated by the Board to support the College's strategic priorities. As of June 30, 2019, the amount was \$234,682.

As of June 30, 2020, there was \$113,426 of net assets, which are earnings from permanent endowments, which are designated by the Board for future program needs of the College. As of June 30, 2019, the amount was \$70,847.

As of June 30, 2020, there was \$424,768 of net assets, which are proceeds from prior golf tournament fundraisers. These funds have been designated by the College Foundation's Board of Directors to be used only for scholarships. As of June 30, 2019, the amount was \$424,768.

➤ With donor restrictions, for purpose restrictions:

As of June 30, 2020, there was \$158,009 of net assets, which are restricted by donors until the requirements of the donor are fulfilled at some future date. As of June 30, 2019, the amount was \$146,729.

➤ With donor restrictions, for time restrictions:

As of June 30, 2020, there was \$194,304 of net assets, which are restricted by donors until the scheduled promises to give are received at some future date. As of June 30, 2019, the amount was \$205,815.

➤ With donor restrictions:

As of June 30, 2020, there was \$2,774,587 of net assets which are restricted by donors to be maintained permanently with the income derived being available to the College Foundation. As of June 30, 2019, the amount was \$2,741,459.

NOTES TO FINANCIAL STATEMENTS

7. Related Party Transactions

The College Foundation's administrative functions are handled by Northeast Iowa Community College as a fiscal agent. 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 years ended June 30, 2020 and 2019, the College Foundation funded the College for scholarships, grants and program assistance totaling \$770,801 and \$684,884, respectively.

There were no amounts due to the College Foundation from the College at June 30, 2020 and 2019.

The College Foundation uses property and equipment as part of its normal operations, which is owned by the College (see Note 10).

8. Donated Goods and Equipment

Northeast Iowa Community College receives donated goods and equipment from businesses and individuals through the College Foundation as an intermediary. Equipment was passed on to the College totaling \$129,530 and \$0 during the years ended June 30, 2020 and 2019, respectively. The value of the items is estimated by the donor at fair market value. The College Foundation Board reviews the values placed on the donated items to verify that the amounts appear reasonable. The College Foundation received in-kind donations of goods and services totaling \$26,202 and \$60,626 during the years ended June 30, 2020 and 2019, respectively.

9. Contingent Liabilities

The College Foundation participated in past federal and state programs that were fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If the grantor government disallows expenditures due to noncompliance with grant program regulations, the College Foundation may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited by granting authorities, but the College Foundation believes disallowed expenditures, if any, based on subsequent audits will not have a material effect on the financial position of the College Foundation.

10. Transactions with Supported Organization

During the years ended June 30, 2020 and 2019, 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. The following amounts were included in the financial statements for the years ended June 30, 2020 and 2019 as in-kind contributions from the College and as fundraising expenses. These expenses represent 28.91% and 35.47% of the total College Foundation expenses and .74% and .76% of the total operating expenses of the College for the years ended June 30, 2020 and 2019, respectively.

	2020	2019
Salaries and benefit costs	\$ 239,518	\$ 249,038
Professional services	9,135	7,515
Shared services	18,666	18,055
Indirect expenses	119,976	124,078
Total reported as in-kind contributions	\$ 387,295	\$ 398,686

11. Endowments

The College Foundation's endowment consists of fifty-six individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the College Foundation retains in perpetuity and classifies as net assets with donor restrictions (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 to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the College Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the College Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the College Foundation, and (7) the College Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

In June 2020, the College Foundation adopted the Asset Management Policy that includes the investment and spending policies for the endowment assets that are designed to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The endowment is invested to achieve a real rate of return of 5%, net of fees and inflation.

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.

Spending Policy

The College Foundation has a policy of appropriating each year 4% to 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.

NOTES TO FINANCIAL STATEMENTS

11. **Endowments (Continued)**

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 are as follows:

	2020	2019
Endowment funds with donor restrictions	\$ 2,932,596	\$ 2,888,188
Board-designated endowment without donor restrictions	1,580,214	1,084,923
	\$ 4,512,810	\$ 3,973,111

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

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
2020			
Endowment net assets, beginning of year	\$ 1,084,923	\$ 2,888,188	\$ 3,973,111
Contributions	187,954	871,758	1,059,712
Investment return, net	390,545	125,918	516,463
Amounts appropriated for expenditure	(83,208)	(953,268)	(1,036,476)
Endowment net assets, end of year	\$ 1,580,214	\$ 2,932,596	\$ 4,512,810
2019			
Endowment net assets, beginning of year	\$ 842,397	\$ 2,787,571	\$ 3,629,968
Contributions	329,820	565,347	895,167
Investment return, net	-	235,968	235,968
Amounts appropriated for expenditure	(87,294)	(700,698)	(787,992)
Endowment net assets, end of year	\$ 1,084,923	\$ 2,888,188	\$ 3,973,111

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College Foundation to retain as a fund of perpetual duration (underwater endowments). Deficiencies of this nature did not exist in any donor-restricted endowment funds as of June 30, 2020 or 2019.

12. **COVID-19**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The College Foundation is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the College Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the College Foundation's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the College Foundation's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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*

To the Board of Directors
Northeast Iowa Community College Foundation
Calmar, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards 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 Northeast Iowa Community College Foundation (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, 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 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Iowa Community 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 Northeast Iowa Community 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 College Foundation'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Iowa Community 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*.

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 College Foundation'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 College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 28, 2020