

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

FINANCIAL STATEMENTS

June 30, 2024

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mercer County Community College Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mercer County Community College Foundation (the "Foundation"), a component unit of Mercer County Community College, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, 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 audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 auditors' 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 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, 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 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 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Merodien, P.C.
Certified Public Accountants

November 21, 2024

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2024
With Comparative Totals for June 30, 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,131,993	\$ 1,117,073
Investments	15,099,560	13,506,915
Pledges receivable	-	32,714
Accounts receivable and other current assets	-	2,000
Total Current Assets	<u>\$ 16,231,553</u>	<u>\$ 14,658,702</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 10,647	\$ 41,382
Due to Mercer County Community College	484,298	378,403
Total Liabilities	<u>494,945</u>	<u>419,785</u>
Net Assets		
Without donor restrictions	3,635,840	3,641,918
With donor restrictions	12,100,768	10,596,999
Total Net Assets	<u>15,736,608</u>	<u>14,238,917</u>
Total Liabilities and Net Assets	<u>\$ 16,231,553</u>	<u>\$ 14,658,702</u>

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

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2024

With Comparative Totals for Year Ended June 30, 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Gifts/contributions	\$ 61,552	\$ 537,540	599,092	\$ 567,578
Gifts in-kind - services	153,045	-	153,045	192,595
Gifts in-kind - nonfinancial assets	38,000	-	38,000	23,000
Fundraising				
Special event - spring event	-	142,450	142,450	86,562
Special event - golf outing	-	60,383	60,383	62,495
Special event - Athletic Hall of Fame	-	40,993	40,993	40,045
Net assets released from restrictions	773,430	(773,430)	-	-
Total support and revenues	<u>1,026,027</u>	<u>7,936</u>	<u>1,033,963</u>	<u>972,275</u>
Expenses				
Program services				
Scholarships	722,915	-	722,915	508,860
Programmatic support	67,291	-	67,291	32,081
Equipment donation	38,000	-	38,000	23,000
Management and general				
In-kind services	37,487	-	37,487	81,309
Professional fees	118,181	-	118,181	1,800
Bank fees	4,962	-	4,962	5,027
Other operating expenses	-	-	-	6,866
Fundraising				
In-kind services	115,558	-	115,558	111,286
Senior giving officer	60,152	-	60,152	44,907
Special event - spring event	37,674	-	37,674	61,476
Special event - golf outing	22,563	-	22,563	22,724
Special event - Athletic Hall of Fame	35,713	-	35,713	47,975
Total expenses	<u>1,260,496</u>	<u>-</u>	<u>1,260,496</u>	<u>947,311</u>
Non-operating revenues				
Investment return, net	<u>369,853</u>	<u>1,354,371</u>	<u>1,724,224</u>	<u>1,029,889</u>
Reclassifications	<u>(141,462)</u>	<u>141,462</u>	<u>-</u>	<u>-</u>
Change in net assets	(6,078)	1,503,769	1,497,691	1,054,853
Net assets, beginning of year	<u>3,641,918</u>	<u>10,596,999</u>	<u>14,238,917</u>	<u>13,184,064</u>
Net assets, end of year	<u>\$ 3,635,840</u>	<u>\$ 12,100,768</u>	<u>\$ 15,736,608</u>	<u>\$ 14,238,917</u>

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

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2024

With Comparative Totals for Year Ended June 30, 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 1,497,691	\$ 1,054,853
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gain	(1,331,321)	(663,332)
Contributions restricted for long-term purposes	(61,097)	(83,153)
Increase (decrease) in cash from		
Pledges receivable	32,714	(27,714)
Accounts receivable and other current assets	2,000	-
Accounts payable and accrued expenses	(30,735)	18,882
Due to Mercer County Community College	105,895	(50,795)
Net cash from operating activities	<u>215,147</u>	<u>248,741</u>
Cash flows from Investing Activities		
Proceeds from sales of investments	2,208,358	6,384,671
Purchases of investments	(2,469,682)	(7,240,894)
Net cash from investing activities	<u>(261,324)</u>	<u>(856,223)</u>
Cash flows from Financing Activities		
Contributions restricted for long-term purposes	61,097	83,153
Net cash from financing activities	<u>61,097</u>	<u>83,153</u>
Net change in cash and cash equivalents	14,920	(524,329)
Cash and cash equivalents, beginning of year	1,117,073	1,641,402
Cash and cash equivalents, end of year	<u>\$ 1,131,993</u>	<u>\$ 1,117,073</u>

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

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

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

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Use of Estimates

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

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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

Pledges and Accounts Receivable

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

Public Support and Revenue Recognition

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

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

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

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

Special events revenue is recognized when the event occurs.

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

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

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

Income Taxes

The Foundation is exempt from income taxes under Section 501(c)(3) of the Code and applicable state law. Income generated by activities that would be considered unrelated to the Foundation's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended June 30, 2024 or 2023.

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

The Foundation did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of June 30, 2024 or 2023, or in the accompanying statements of activities for the years then ended. If the Foundation were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

Functional Allocation of Expenses

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

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through November 21, 2024, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

C. LIQUIDITY AND AVAILABILITY

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

	June 30,	
	2024	2023
Cash and cash equivalents	\$ 1,131,993	\$ 1,117,073
Investments	15,099,560	13,506,915
Pledges receivable	-	32,714
Accounts receivable and other current assets	-	2,000
Less donor-restricted funds	(12,100,768)	(10,596,999)
Financial assets available to meet general expenditures	<u>\$ 4,130,785</u>	<u>\$ 4,061,703</u>

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

D. INVESTMENTS

Investments at June 30, 2024 and 2023, are as follows:

	2024		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate fixed income	\$ 6,653,670	\$ 6,083,925	\$ (569,745)
Mutual funds	6,460,000	9,015,635	2,555,635
	<u>\$ 13,113,670</u>	<u>\$ 15,099,560</u>	<u>\$ 1,985,890</u>
	2023		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate fixed income	\$ 5,932,445	\$ 5,346,474	\$ (585,971)
Mutual funds	6,608,688	8,160,441	1,551,753
	<u>\$ 12,541,133</u>	<u>\$ 13,506,915</u>	<u>\$ 965,782</u>

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

NOTES TO FINANCIAL STATEMENTS

D. INVESTMENTS (CONTINUED)

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

	Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 187,668	\$ 268,254	\$ 455,922
Realized gain	131,567	179,646	311,213
Unrealized gain	492,961	527,147	1,020,108
Investment fees	(25,287)	(37,732)	(63,019)
Allocation for restricted funds	(417,056)	417,056	-
Total investment return	<u>\$ 369,853</u>	<u>\$ 1,354,371</u>	<u>\$ 1,724,224</u>

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 170,844	\$ 259,103	\$ 429,947
Realized loss	(42,145)	(153,633)	(195,778)
Unrealized gain	402,459	456,651	859,110
Investment fees	(26,290)	(37,100)	(63,390)
Allocation for restricted funds	(273,757)	273,757	-
Total investment return	<u>\$ 231,111</u>	<u>\$ 798,778</u>	<u>\$ 1,029,889</u>

E. FAIR VALUE MEASUREMENT

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

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

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NOTES TO FINANCIAL STATEMENTS

E. FAIR VALUE MEASUREMENT (CONTINUED)

- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2024 and 2023, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

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

Assets measured at fair value on a recurring basis as of June 30, 2024 and 2023, are summarized as follows:

	2024			
	Level 1	Level 2	Level 3	Total
Corporate fixed income	\$ 6,083,925	\$ -	\$ -	\$ 6,083,925
Mutual funds	9,015,635	-	-	9,015,635
	<u>\$ 15,099,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,099,560</u>
	2023			
	Level 1	Level 2	Level 3	Total
Corporate fixed income	\$ 5,346,474	\$ -	\$ -	\$ 5,346,474
Mutual funds	8,160,441	-	-	8,160,441
	<u>\$ 13,506,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,506,915</u>

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

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

F. RELATED-PARTY TRANSACTIONS

The books of the Foundation are maintained through accounting and administrative services provided by the College, and fundraising time is also spent by College management. The fair value of these services has been determined for the years ended June 30, 2024 and 2023. Therefore, \$153,045 and \$192,595 for these services have been recognized in the statements of activities for the years ended June 30, 2024 and 2023, respectively. Due to and from the College accounts are set up to record related-party activity between the College and the Foundation. Due to Mercer County Community College was \$484,298 and \$378,403 at June 30, 2024 and 2023, respectively.

G. NET ASSETS

Without Donor Restrictions

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

	June 30,	
	2024	2023
Designated for scholarships and programs	\$ -	\$ 151,166
Designated for student assistance	1,816,053	1,614,695
Designated for major gifts campaign	315,676	778,610
Undesignated	1,504,111	1,097,447
Total	<u>\$ 3,635,840</u>	<u>\$ 3,641,918</u>

With Donor Restrictions

Net assets with donor restrictions are comprised of the following:

	June 30,	
	2024	2023
Purpose Restricted:		
Scholarships	\$ 6,973,666	\$ 5,852,619
Programs	1,731,683	1,087,945
Capital improvements	214,249	190,446
Endowments given in perpetuity:		
Original gifts	3,181,170	3,465,989
Total	<u>\$ 12,100,768</u>	<u>\$ 10,596,999</u>

Net assets were released from donor restrictions as follows:

	Year Ended June 30,	
	2024	2023
Expenses incurred to satisfy donor requirements	<u>\$ 773,430</u>	<u>\$ 681,057</u>

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

H. ENDOWMENT FUNDS

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

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

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

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

MERCER COUNTY COMMUNITY COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS

H. ENDOWMENT FUNDS (CONTINUED)

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

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

Endowment net asset composition by type of fund at:

	June 30,	
	2024	2023
Board designated	\$ 2,131,742	\$ 1,626,758
Restricted for purpose and/or time	2,167,638	901,326
Restricted in perpetuity	3,181,170	3,465,989
Total	<u>\$ 7,480,550</u>	<u>\$ 5,994,073</u>

Changes in endowment funds for the years ended June 30, 2024 and 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2022	\$ 1,477,561	\$ 3,949,261	\$ 5,426,822
Contributions	528,090	83,153	611,243
Investment return	-	362,328	362,328
Appropriated for expenditures	(378,893)	(129,967)	(508,860)
Other changes			
Board designated endowments	-	102,540	102,540
Balance, June 30, 2023	<u>1,626,758</u>	<u>4,367,315</u>	<u>5,994,073</u>
Contributions	741,143	61,097	802,240
Investment return	238,424	594,575	832,999
Appropriated for expenditures	(741,143)	(130,018)	(871,161)
Other changes			
Reclassification of 2023 amounts	907,063	455,839	1,362,902
Approved board undesignation	(500,000)	-	(500,000)
Reclassifications	(140,503)	-	(140,503)
Balance, June 30, 2024	<u>\$ 2,131,742</u>	<u>\$ 5,348,808</u>	<u>\$ 7,480,550</u>

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

NOTES TO FINANCIAL STATEMENTS

I. LITIGATION AND CONTINGENT LIABILITIES

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

J. CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

The Foundation received the following contributions of nonfinancial assets and services:

	Year Ended June 30,	
	2024	2023
Donated services from the College	\$ 153,045	\$ 192,595
Equipment	38,000	23,000
Total	<u>\$ 191,045</u>	<u>\$ 215,595</u>

Donated services are recognized as in-kind revenue at their estimated fair value if they are both budget-relieving and relate to events and programs under the Foundation's control. The Organization receives contributed services from the College personnel for administrative and fundraising services. All donated services were utilized by the Foundation's programs and supporting services.

Equipment was donated to the Foundation and subsequently, the Foundation donated to the College to support various programs of the College according to the donor restrictions. The donor restrictions on the equipment were met during the year of receipt of equipment. In valuing the donated equipment, the Foundation estimated fair value on the bases of historical cost to the donor, Internal Revenue Service qualified appraisal, or estimated market value, as applicable.