



# Northwood Technical College Foundation, Inc. (A Nonprofit Organization)

Financial Statements

Years Ended June 30, 2022 and 2021

**WIPFLI**

# Northwood Technical College Foundation, Inc.

## Financial Statements

Years Ended June 30, 2022 and 2021

---

### Table of Contents

Independent Auditor's Report.....	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

## Independent Auditor's Report

Board of Directors  
Northwood Technical College Foundation, Inc.  
Rice Lake, Wisconsin

### ***Opinion***

We have audited the accompanying financial statements of Northwood Technical College Foundation, Inc. (the "Foundation"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwood Technical College Foundation, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northwood Technical College Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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 Northwood Technical College Foundation, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Northwood Technical College Foundation, Inc.'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 Northwood Technical College Foundation, Inc.'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.

*Wipfli LLP*

Wipfli LLP

Eau Claire, Wisconsin  
December 21, 2022

# Northwood Technical College Foundation, Inc.

## Statements of Financial Position

June 30, 2022 and 2021

<i>Assets</i>	<b>2022</b>	<b>2021</b>
Current assets:		
Cash and cash equivalents	\$ 360,538	\$ 241,690
Accounts receivable	4,099	8,195
<b>Total current assets</b>	<b>364,637</b>	<b>249,885</b>
Investments	5,068,755	5,976,915
<b>TOTAL ASSETS</b>	<b>\$ 5,433,392</b>	<b>\$ 6,226,800</b>
<b><i>Liabilities and Net Assets</i></b>		
Current liabilities:		
Accounts payable	\$ 45,941	\$ 56,740
Net assets:		
Without donor restrictions		
Designated for alumni development	16,181	18,632
Designated for institutional support	115,382	33,495
Designated for operating reserve	42,326	167,351
Designated for scholarships and support	14,072	-
<b>Total net assets without donor restrictions</b>	<b>187,961</b>	<b>219,478</b>
With donor restrictions	5,199,490	5,950,582
<b>Total net assets</b>	<b>5,387,451</b>	<b>6,170,060</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,433,392</b>	<b>\$ 6,226,800</b>

See accompanying notes to financial statements.

# Northwood Technical College Foundation, Inc.

## Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:						
Contributions	\$ 248,792	\$ 292,333	\$ 541,125	\$ 21,453	\$ 455,456	\$ 476,909
Interest, dividends, and realized gain on investments	53,066	225,627	278,693	70,205	343,207	413,412
In-kind contributions	83,905	-	83,905	88,307	-	88,307
Unrealized gain (loss) on investments	(197,429)	(839,424)	(1,036,853)	120,021	586,864	706,885
Net assets released from restrictions	437,418	(437,418)	-	380,988	(380,988)	-
Total revenues, gains, and other support	625,752	(758,882)	(133,130)	680,974	1,004,539	1,685,513
Expenses:						
Program services	450,034	-	450,034	387,650	-	387,650
Management and general	147,581	-	147,581	93,999	-	93,999
Fund-raising and special events	51,864	-	51,864	67,035	-	67,035
Total expenses	649,479	-	649,479	548,684	-	548,684
Transfers	(7,790)	7,790	-	(10,348)	10,348	-
Change in net assets	(31,517)	(751,092)	(782,609)	121,942	1,014,887	1,136,829
Net assets - Beginning of year	219,478	5,950,582	6,170,060	97,536	4,935,695	5,033,231
Net assets - End of year	\$ 187,961	\$ 5,199,490	\$ 5,387,451	\$ 219,478	\$ 5,950,582	\$ 6,170,060

See accompanying notes to financial statements.

# Northwood Technical College Foundation, Inc.

## Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

2022	Program Services	Management and General	Fund-Raising and Special Events	Total
Scholarships and student support	\$ 324,624	\$ -	\$ -	\$ 324,624
Ambassador program	1,497	-	-	1,497
Staff development program	-	9,839	-	9,839
Institutional support	123,223	-	-	123,223
Fund-raising and special events	-	-	3,825	3,825
Alumni/development staff	-	54,264	-	54,264
Professional fees	-	12,116	-	12,116
Board/committee expense	-	1,425	-	1,425
Contracted services	-	3,000	-	3,000
Supplies	-	3,277	-	3,277
Postage	-	339	-	339
Insurance and fees	-	6,287	-	6,287
Miscellaneous	-	21,858	-	21,858
In-kind expenses	690	35,176	48,039	83,905
<b>Totals</b>	<b>\$ 450,034</b>	<b>\$ 147,581</b>	<b>\$ 51,864</b>	<b>\$ 649,479</b>

2021	Program Services	Management and General	Fund-Raising and Special Events	Total
Scholarships and student support	\$ 366,021	\$ -	\$ -	\$ 366,021
Ambassador program	625	-	-	625
Distinguished alumni program	420	-	-	420
Institutional support	17,221	-	-	17,221
Fund-raising and special events	-	-	63	63
Alumni/development staff	-	56,689	-	56,689
Professional fees	-	5,779	-	5,779
Board/committee expense	-	589	-	589
Contracted services	-	2,250	-	2,250
Supplies	-	309	-	309
Postage	-	1,671	-	1,671
Insurance and fees	-	4,367	-	4,367
Miscellaneous	-	4,373	-	4,373
In-kind expenses	3,363	17,972	66,972	88,307
<b>Totals</b>	<b>\$ 387,650</b>	<b>\$ 93,999</b>	<b>\$ 67,035</b>	<b>\$ 548,684</b>

See accompanying notes to financial statements.

# Northwood Technical College Foundation, Inc.

## Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$ (782,609)	\$ 1,136,829
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss (gain) on investments	1,036,853	(706,885)
Interest, dividends, and realized gain on investments	(302,325)	(436,262)
Contributions restricted for long-term purposes	(41,794)	(55,820)
Investment fees paid	23,632	22,865
Changes in operating assets and liabilities:		
Accounts receivable	4,096	428
Prepaid insurance	-	967
Accounts payable	(10,799)	6,674
Total adjustments	709,663	(1,168,033)
Net cash used in operating activities	(72,946)	(31,204)
Cash flows from investing activities:		
Proceeds from sale of investments	150,000	150,000
Cash flows from financing activities:		
Proceeds from contributions restricted for investments in permanent endowment	41,794	55,820
Net change in cash	118,848	174,616
Cash and cash equivalents - Beginning of year	241,690	67,074
Cash and cash equivalents - End of year	\$ 360,538	\$ 241,690

See accompanying notes to financial statements.



# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies**

#### **The Entity**

The Northwood Technical College Foundation, Inc. (the "Foundation") is an organization of area community leaders, faculty, and administrators dedicated to providing opportunities for scholarships, staff development, program improvement, and capital needs of Northwood Technical College. Its goal is to not only support students in a financial way, but also to support the advancement and enrichment of campus life as a whole. The Foundation's primary funding source is donor contributions and investment earnings.

#### **Basis of Accounting**

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

#### **Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

#### **Cash and Cash Equivalents**

The Foundation considers all cash and cash equivalents with an original maturity of three months or less and that are not held by investment managers as part of an investment portfolio to be cash equivalents.

#### **Investments**

Investment securities are carried at fair value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Interest, dividends, and realized and unrealized gains and losses are recorded in the period earned as increases or decreases in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions.

Gains and investment earnings that are limited to specific uses by donor-imposed restrictions are recorded as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and earnings are recognized.

The Foundation invests in various investments. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Property and Depreciation**

Equipment and furniture are treated as expenditures in the year of acquisition. The total amount of equipment and furniture acquired in any given year is not material. Northwood Technical College provides most of the equipment and furniture used by the Foundation.

#### **Income Taxes**

The Foundation is a not-for-profit organization organized under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax on related income pursuant to Section 501(a) of the code. The Foundation is also exempt from state income taxes pursuant to similar state of Wisconsin tax laws.

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the the existence and nature of any donor restrictions. When a restriction expires, 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.

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 contributions are recognized. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenue from exchange transactions: The Foundation recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

#### **Functional Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Classification of Net Assets

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

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions. Board designations, which are voluntary, board-approved segregations of net assets for specific purposes, projects, or investments, are also a part of net assets without donor restrictions.
- Net assets with donor restrictions - Net assets that are subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Foundation pursuant to those stipulations, and net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

#### In-Kind Contributions

The Foundation has recorded in-kind contributions for salaries and fringe benefits of Northwood Technical College employees used in operations as well as a percentage of the cost of the financial accounting system used in operations in the statement of activities in accordance with a financial accounting standards which requires only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. Total amount of in-kind contributions recognized were \$83,905 and \$88,307 as of June 30, 2022 and 2021.

#### Change in Accounting Policy

As of July 1, 2021, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets (Topic 958). The amendments in this update require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, expand disclosures on the various contributed nonfinancial assets recognized, including disaggregated category types, the valuation techniques and inputs used to arrive at fair value, and the policy for either monetizing or utilizing contributed nonfinancial assets. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **New Accounting Pronouncement**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification for distinguishing between capital leases and operating leases in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

---

### Note 2: Fair Value Measurements

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for asset measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Equity securities: Valued using quoted market prices using pricing information provided by the Foundation's investment manager.

Fixed income and debt securities: Valued at market prices using pricing information provided by the Foundation's investment manager.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

### Note 2: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of June 30, 2022 and 2021, is as follows:

#### Assets at Fair Value as of June 30, 2022

	Level 1	Level 2	Level 3	Total Fair Value
Investments at fair value:				
Fixed income and debt securities	\$ 573,766	\$ -	\$ -	\$ 573,766
Mutual funds:				
Money market	135,824	-	-	135,824
Equity securities	2,519,183	-	-	2,519,183
Fixed income and debt securities	1,728,095	-	-	1,728,095
Alternative investments	111,887	-	-	111,887
<b>Total investments at fair value</b>	<b>\$ 5,068,755</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,068,755</b>

#### Assets at Fair Value as of June 30, 2021

	Level 1	Level 2	Level 3	Total Fair Value
Investments at fair value:				
Fixed income and debt securities	\$ 419,079	\$ -	\$ -	\$ 419,079
Mutual funds:				
Money market	29,075	-	-	29,075
Equity securities	3,336,726	-	-	3,336,726
Fixed income and debt securities	2,066,987	-	-	2,066,987
Alternative investments	125,048	-	-	125,048
<b>Total investments at fair value</b>	<b>\$ 5,976,915</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,976,915</b>

The methods described and shown above for fair value calculations may produce a fair value calculation that may be different from the net realizable value or not reflective of future values expected to be received. The Foundation believes that its valuation methods are appropriate and consistent with other market participants; however, the use of these various methodologies and assumptions may produce results that differ in the estimates of fair value at the financial reporting date.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

### Note 3: Investments

Investments at June 30 are summarized as follows:

	2022		2021	
	Cost	Carrying Value	Cost	Carrying Value
Fixed income and debt securities	\$ 577,190	\$ 573,766	\$ 404,884	\$ 419,079
Mutual funds:				
Money market	135,824	135,824	29,075	29,075
Equity securities	1,307,535	2,519,183	1,284,979	3,336,726
Fixed income and debt securities	1,838,630	1,728,095	2,011,590	2,066,987
Alternative investments	72,486	111,887	73,725	125,048
<b>Totals</b>	<b>\$ 3,931,665</b>	<b>\$ 5,068,755</b>	<b>\$ 3,804,253</b>	<b>\$ 5,976,915</b>

Return on investments consists of the following at June 30:

	2022	2021
Unrealized gains (losses)	\$ (1,036,853)	\$ 706,885
Realized gains	203,998	342,957
Interest and dividend income	98,327	93,320
Investment fees	(23,632)	(22,865)
<b>Totals</b>	<b>\$ (758,160)</b>	<b>\$ 1,120,297</b>

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

### Note 4: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<b>2022</b>	<b>2021</b>
<hr/>		
Subject to appropriation and expenditure when a specific event occurs:		
Professional development	\$ 5,619	\$ 6,109
Continuing education	54,878	75,205
Capital and equipment	50,433	44,524
Scholarships	146,897	173,961
Institutional support	3,625	-
Student assistance	104,783	90,811
	<hr/>	<hr/>
	366,235	390,610
Endowments:		
Subject to appropriation and expenditure when a specific event occurs:		
Restricted by donors for:		
Professional development	26,030	34,420
Scholarships	100,977	1,264,023
Capital and equipment	580	1,274
Student assistance	105,882	232,006
	<hr/>	<hr/>
	233,469	1,531,723
Original donor-restricted gift amount and amounts to be maintained in perpetuity	<hr/>	<hr/>
	4,599,786	4,028,249
	<hr/>	<hr/>
<b>Total net assets with donor restrictions</b>	<b>\$ 5,199,490</b>	<b>\$ 5,950,582</b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by the donors as follows for the years ended June 30:

	<b>2022</b>	<b>2021</b>
<hr/>		
Satisfaction of purpose restrictions:		
Professional development	\$ 8,370	\$ -
Scholarships and support	288,941	226,398
Institutional support	97,584	15,281
Student assistance	42,523	139,309
	<hr/>	<hr/>
<b>Total net assets released from donor restrictions</b>	<b>\$ 437,418</b>	<b>\$ 380,988</b>



# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

---

### Note 5: Endowments

The Foundation's endowments consist of 201 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation 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 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 endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 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 Foundation, and (7) the Foundation's investment policies.

**Investment Return Objectives, Risk Parameters, and Strategies.** The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt 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. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average annual real rate of return of the Consumer Price Index (CPI) + 3-4%, net of fees. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy.** The spending policy for the Foundation is directed by the Board of Directors. The principal of an endowed fund will be invested for a period of 12 months before any disbursements will be made from interest income. No more than 5% of an endowment will be distributed annually. Administrative expenses, legal, tax, accounting, and investment advisory fees will be paid from the operating fund and are not included in the amount designated for disbursement.

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

### Note 5: Endowments (Continued)

Endowments that are donor restricted consisted of the following at June 30:

As of June 30, 2022 and 2021, the Foundation had the following endowment net asset composition.

	<b>With Donor Restrictions</b>	
	<b>2022</b>	<b>2021</b>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 4,599,786	\$ 4,028,249
Underwater endowments	(111,641)	-
Accumulated investment gains	345,110	1,531,723
<b>Total Endowment</b>	<b>\$ 4,833,255</b>	<b>\$ 5,559,972</b>

From time to time, certain donor-restricted endowments funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. At June 30, 2022, there were 104 underwater endowments in the amount of \$111,641. There were no underwater endowments at June 30, 2021.

Changes in endowment net assets for the years ended June 30 consisted of the following:

	<b>With Donor Restrictions</b>	
	<b>2022</b>	<b>2021</b>
Endowment net assets at beginning of year	\$ 5,559,972	\$ 4,647,570
Investment return	(613,797)	930,071
Contributions	75,602	104,234
Transfers	7,790	10,348
Appropriation of endowment assets for expenditures	(196,312)	(132,251)
<b>Endowment net assets at end of year</b>	<b>\$ 4,833,255</b>	<b>\$ 5,559,972</b>

# Northwood Technical College Foundation, Inc.

## Notes to Financial Statements

### Note 6: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following:

<i>Years Ended June 30,</i>	<b>2022</b>	<b>2021</b>
Services	\$ 83,905	\$ 88,307

Contributed services recognized are comprised of salaries and fringes, rent, and financial software annual fees. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

The Foundation recognizes contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

### Note 7: Liquidity and Availability of Financial Resources

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

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 360,538	\$ 241,690
Accounts receivable	4,099	8,195
Investments	5,068,755	5,976,915
Total financial assets	5,433,392	6,226,800
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purpose restrictions	(5,199,490)	(5,950,582)
Financial assets available to meet cash needs for general expenditures within one year	\$ 233,902	\$ 276,218

The Foundation does not have a formal liquidity policy but generally strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As part of our liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.