

Consolidated Financial Statements
of
Thomas Nelson Community
College Educational
Foundation, Inc. and Subsidiary
June 30, 2022 and 2021

Carmines, Robbins & Company, PLC
Certified Public Accountants and Business Consultants
11815 Rock Landing Drive
Newport News, VA 23606-4207
757-873-8585

**Thomas Nelson Community College Educational Foundation Inc. and
Subsidiary**

Table of Contents

June 30, 2022 and 2021

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 14



Carmines, Robbins & Company, PLC
Certified Public Accountants and Business Consultants
11815 Rock Landing Drive
Newport News, VA 23606

Tel (757)873-8585
Fax (757)873-8586

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Thomas Nelson Community College Educational Foundation, Inc.
Hampton, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary as of June 30, 2022 and June 30, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

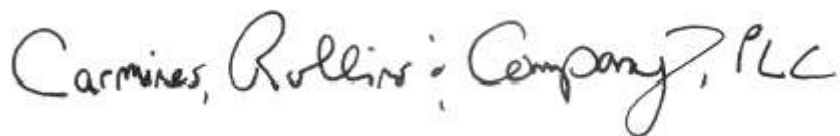
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary'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.

A handwritten signature in black ink that reads "Carmines, Robbins & Company, PLC". The signature is written in a cursive, flowing style.

Carmines, Robbins & Company, PLC
Certified Public Accountants and Business Consultants

August 15, 2022

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position
As of June 30, 2022 and 2021

Assets

	2022	2021
Cash and Cash Equivalents	\$ 210,891	\$ 189,530
Accounts Receivable and Unconditional Promises To Give, Net	108,048	160,236
Investments	11,056,647	12,331,604
Prepaid Expenses	<u>2,107</u>	<u>3,830</u>
Total Assets	<u>\$ 11,377,693</u>	<u>\$ 12,685,200</u>

Liabilities and Net Assets

Liabilities

Accounts Payable	\$ 4,197	\$ 9,088
Note Payable	<u>155,640</u>	<u>169,795</u>
Total Liabilities	<u>159,837</u>	<u>178,883</u>

Net Assets

Without Donor Restrictions	1,886,963	2,217,095
With Donor Restrictions	<u>9,330,893</u>	<u>10,289,222</u>
Total Net Assets	<u>11,217,856</u>	<u>12,506,317</u>
Total Liabilities and Net Assets	<u>\$ 11,377,693</u>	<u>\$ 12,685,200</u>

See the accompanying notes and Independent Auditor's Report.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Consolidated Statements of Activities
For The Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ 22,776	\$ 281,848	\$ 304,624	\$ 39,687	\$ 78,001	\$ 117,688
Grants	0	129,798	129,798	0	249,944	249,944
Dividends and Interest	116,986	559,157	676,143	82,202	391,651	473,853
Net Unrealized Gain/(Loss) on Investments	(424,996)	(2,032,679)	(2,457,675)	352,928	1,683,124	2,036,052
Net Realized Gain/(Loss) on Investments	95,488	456,410	551,898	20,148	95,992	116,140
In-Kind Services, Materials, and Facilities	296,309	0	296,309	277,330	0	277,330
Other Income	5,000	1,314	6,314	5,000	1,724	6,724
Presidential Compensation Package Refund	0	0	0	5,434	0	5,434
Net Assets Released from Restrictions	354,177	(354,177)	0	546,887	(546,887)	0
Total Support and Revenues	465,740	(958,329)	(492,589)	1,329,616	1,953,549	3,283,165
Expenses						
Program Services						
Scholarships	225,328	0	225,328	231,059	0	231,059
Other Educational Support	168,242	0	168,242	339,794	0	339,794
General and Administrative	261,547	0	261,547	254,500	0	254,500
Fundraising	140,755	0	140,755	154,169	0	154,169
Total Expenses	795,872	0	795,872	979,522	0	979,522
Change in Net Assets	(330,132)	(958,329)	(1,288,461)	350,094	1,953,549	2,303,643
Net Assets, Beginning	2,217,095	10,289,222	12,506,317	1,867,001	8,335,673	10,202,674
Transfers	0	0	0	0	0	0
Net Assets, Ending	\$ 1,886,963	\$ 9,330,893	\$ 11,217,856	\$ 2,217,095	\$ 10,289,222	\$ 12,506,317

See the accompanying notes and Independent Auditor's Report.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Consolidated Statements of Functional Expenses
For The Years Ended June 30, 2022 and 2021

	<u>2022</u>				<u>2021</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Board Expenses	\$ 0	\$ 967	\$ 0	\$ 967	\$ 0	\$ 1,079	\$ 0	\$ 1,079
Campaign Consulting	0	0	0	0	0	0	25,455	25,455
Campaign Events	0	0	5,300	5,300	0	0	0	0
Conferences	0	885	0	885	0	1,000	0	1,000
Grants & Other Assistance	393,570	0	0	393,570	570,853	0	0	570,853
Insurance	0	970	0	970	0	765	0	765
Interest Expense	0	4,098	0	4,098	0	4,426	0	4,426
In-Kind Gift/Supplies	0	478	0	478	0	245	0	245
In-Kind Rent	0	5,376	1,188	6,564	0	5,376	1,188	6,564
In-Kind Wages	0	152,024	132,790	284,814	0	143,871	125,650	269,521
Membership/Subscriptions	0	0	0	0	0	0	1,240	1,240
Office	0	26,133	728	26,861	0	31,930	636	32,566
Outreach Expenses	0	0	749	749	0	0	0	0
Personnel Costs	0	40,983	0	40,983	0	36,407	0	36,407
Professional Fees	0	22,903	0	22,903	0	22,683	0	22,683
Taxes & Licenses	0	6,730	0	6,730	0	6,718	0	6,718
Transportation	0	0	0	0	0	0	0	0
	<u>\$ 393,570</u>	<u>\$ 261,547</u>	<u>\$ 140,755</u>	<u>\$ 795,872</u>	<u>\$ 570,853</u>	<u>\$ 254,500</u>	<u>\$ 154,169</u>	<u>\$ 979,522</u>

See the accompanying notes and Independent Auditor's Review Report.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For The Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,288,461)	\$ 2,303,643
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Net Realized and Unrealized Gain		
On Investments	1,905,777	(2,152,193)
Dividend and Interest Reinvestments	(675,890)	(473,853)
Increase in Cash Surrender Value of Life Insurance	(1,314)	(1,290)
Change in Assets and Liabilities:		
Accounts Receivable and Unconditional Promises To Give	52,188	161,765
Prepaid Expenses	1,723	(3,830)
Accounts Payable	(4,891)	(18,255)
Net Cash Provided By (Used In) Operating Activities	(10,868)	(184,013)
Cash Flows from Investing Activities:		
Proceeds from Investments	1,485,103	274,940
Purchase of Investments	(1,438,719)	(74,605)
Net Cash Provided By (Used In) Investing Activities	46,384	200,335
Cash Flows from Financing Activities:		
Principal Payments on Note Payable	(14,155)	(14,155)
Net Cash Provided By (Used In) Financing Activities	(14,155)	(14,155)
Net Increase (Decrease) In Cash and Cash Equivalents	21,361	2,167
Beginning Cash and Cash Equivalents	189,530	187,363
Ending Cash and Cash Equivalents	\$ 210,891	\$ 189,530
Supplemental Cash Flow Disclosures		
Non-Cash Operating Activity - donated services and supplies	\$ 296,309	\$ 277,330
Cash paid during the year for interest	\$ 4,098	\$ 4,426

See the accompanying notes and Independent Auditor's Report.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

1. Organization and Nature of Activities

Thomas Nelson Community College Educational Foundation, Inc. (Foundation), a Virginia nonprofit corporation, which is in the process of changing their name to Virginia Peninsula Community College Educational Foundation, Inc, was organized December 13, 1979. The Foundation's mission is to promote the general welfare of Thomas Nelson Community College (College) by providing scholarships to students and money, personnel and other aid to the College for the strengthening, development, and enhancement of the College and its programs. The Foundation's sources of revenue include contributions from local businesses and individuals, as well as grants from the Commonwealth of Virginia and various local governments and investment income derived from past grants and donations that remain largely restricted.

2. Summary of Significant Accounting Policies

Consolidation:

The accompanying consolidated financial statements include the accounts of Thomas Nelson Community College Educational Foundation, Inc. and its wholly owned subsidiary, 525 Butler Farm Road, LLC. Significant inter-organization transactions and amounts have been eliminated.

525 Butler Farm Road, LLC began operations in 2006 and was formed for the purpose of purchasing investment property. 525 Butler Farm Road, LLC continues to hold investment property acquired in 2007.

Basis of Presentation:

The consolidated financial statements of Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary are presented on the accrual basis. Under generally accepted accounting principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets; without donor restrictions and with donor restrictions, based on the existence or absence of donor imposed restrictions.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents:

Cash equivalents consists of short-term, highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short term maturity of those financial instruments.

Certain cash equivalents have been restricted at the discretion of the donors. Cash balances allocated between donor restricted and unrestricted are as follows:

	2022	2021
Restricted Cash Balance/(Deficit)	\$ 524,656	\$ 339,775
Unrestricted Cash Balance/(Deficit)	(313,765)	(150,245)
Total Cash Balance at June 30	\$ 210,891	\$ 189,530

Unconditional Promises to Give:

Unconditional promises to give are recognized as revenue in the period pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Management periodically evaluates past due promises to give and, if necessary, records an allowance for estimated uncollectible pledges. This evaluation includes the age of the pledge, the donor's past history of payments, communications with the donor, and other appropriate analysis. The allowance for uncollectible pledges was \$1,091 and \$1,598 as of June 30, 2022 and 2021, respectively.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, continued

Investments:

Investments are recorded at fair market value. Additional disclosures on the nature and valuation of investments have been included in Notes 3 and 9, respectively.

Revenue and Revenue Recognition:

Grants and other contributions of cash and other assets are reclassified to net assets without donor restrictions and reported as with donor restrictions or without donor restrictions. When the restriction expires, the net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from donor restrictions.

Investment earnings on the principal which are immediately available for use are recorded as without donor restricted net assets. Investment earnings with donor-imposed restrictions as to their use are recorded as with donor restricted net assets until the time or use restriction has been met.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Additional disclosures for in-kind contributions are included in Note 11.

Functional Expenses:

The Foundation's costs of providing its programs and its supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain common costs have been allocated among the programs and supporting services. General and administrative expenses include expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Income Taxes:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, has made no provision for federal or state income taxes in the accompanying financial statements for income derived from its exempt activities. In addition, the Foundation is classified as a publicly supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction for its donors. The Foundation is considered an educational foundation under IRC Section 170(b)(1)(A)(iv). Also, the Foundation had no unrelated business taxable income for 2022 and 2021, and therefore, neither year has any provision for federal or state income taxes from such activities.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Foundation's management has evaluated the impact of the guidance to its consolidated financial statements. The Foundation's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed. Therefore, years ending 6/30/19 through 6/30/22 may be subject to examination.

The Foundation's policy is to classify income tax-related interest and penalties, if any, in interest expense and other expenses, respectively.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments held by several financial institutions. Cash on deposit is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution at June 30, 2022 and 2021. At times, the Foundation has bank cash deposit balances in excess of the FDIC insured limits. While the Foundation's investment custodial accounts are not federally insured, each institution carries private insurance to help mitigate the credit risk. However, this insurance does not insure the market risk associated with each underlying investment.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

3. Investments

Investments are as follows:

	2022		
	Cost	Fair Value	Unrealized Gain (Loss)
<i>Mutual Funds:</i>			
Large Capitalization Funds	\$ 3,632,487	\$ 4,927,155	\$ 1,294,668
Growth and Income Funds	3,178,217	2,973,098	(205,119)
Fixed Income Funds	1,974,623	1,786,516	(188,107)
International Funds	656,138	778,978	122,840
<i>Individual Stocks:</i>			
Stocks of U.S. Corporations	15,803	13,988	(1,815)
Land Held for Investment	570,800	532,300	(38,500)
Cash Surrender Value of Life Insurance Policies (face value \$150,000)	44,612	44,612	0
	\$ 10,072,680	\$ 11,056,647	\$ 983,967

	2021		
	Cost	Fair Value	Unrealized Gain (Loss)
<i>Mutual Funds:</i>			
Large Capitalization Funds	\$ 3,309,926	\$ 5,084,944	\$ 1,775,018
Growth and Income Funds	2,336,703	3,497,528	1,160,825
Fixed Income Funds	2,012,208	2,078,123	65,915
International Funds	601,323	1,080,908	479,585
<i>Individual Stocks:</i>			
Stocks of U.S. Corporations	15,704	14,503	(1,201)
Land Held for Investment	570,800	532,300	(38,500)
Cash Surrender Value of Life Insurance Policies (face value \$150,000)	43,298	43,298	0
	\$ 8,889,962	\$ 12,331,604	\$ 3,441,642

Total donor restricted investments were \$8,697,233 and \$9,778,980 at June 30, 2022 and 2021, respectively. Additional disclosures on the valuation of investments have been included in Note 9.

4. Line of Credit

The Foundation maintains an unsecured line of credit with Old Point National Bank of \$150,000 to be drawn upon as needed. The interest charged on the line can change daily and equals the Wall Street Journal prime rate minus 0.5%. The interest rate will never be less than 4.0%. The line of credit expires February 25, 2024. There was no outstanding balance as of June 30, 2022 or 2021.

5. Note Payable

The Foundation has a note payable with Old Point National Bank. The note is payable in annual principal installments of \$14,155 with interest payable quarterly on the outstanding balance at 2.52% per annum as of February 12, 2018. The interest rate may change every five years thereafter. On May 1, 2032 the remaining unpaid balance of principal and interest will be due. No collateral is pledged. Interest expense in 2022 and 2021 amounted to \$4,098 and \$4,426, respectively.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

5. Note Payable, continued

Maturities of the remaining debt are as follows:

2023	\$	14,155
2024		14,155
2025		14,155
2026		14,155
2027		14,155
Thereafter		84,865
	<u>\$</u>	<u>155,640</u>

6. Endowments

Some of the donor restricted net assets of the foundation are endowment funds. As required by United States generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or Board designations. 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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies donor restricted net assets (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. 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: Currently, the objective is to grow endowment funds to maximize the "total return" on the Foundation's assets, with "total return" being defined as the sum of the yield (annual interest and dividend income) and appreciation of capital (realized and unrealized gain in market value of the principal), less investment manager fees, commissions, and other costs. The principal objectives of the Foundation's investment policy, practices and strategy are, in priority order:

- A. Assure the safety of Foundation funds.
- B. Generate a dependable, increasing source of annual income to support College activities and current operating budget, as designated by College authorities and donor's wishes.
- C. Enhance the long-term growth in value of the endowment funds, in "real dollar" terms, adjusted for inflation, so that the investment base appreciates in value to meet future needs of the College (federal and state inflation rates are reviewed for adjustment purposes).
- D. Maintain a mixed, balanced portfolio which includes equities designed to provide a total return greater than inflation and fixed income investments to provide a predictable and reliable source of income which reduces the volatility of the portfolio. Such diversification is designed to enhance return and reduce risk to acceptable levels.

Funds are principally invested in equity and debt securities of U.S. institutions, corporations, and government securities. Funds may also be invested in publicly traded securities of foreign corporations and in bank certificates of deposit. All funds may be pooled for investment purposes unless directed otherwise by a donor. The following represents the acceptable ranges by asset class:

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

6. Endowments, continued

<u>Asset Class</u>	<u>Ranges</u>
Equities	30% - 70%
Fixed Income	30% - 70%
Cash Equivalents	0% - 10%

Distribution of earned income: Earned income from the investment portfolio(s) will collectively be distributed as follows:

A. With Donor Restricted Funds: Earnings from named specific funds will be allocated to each fund's respective restricted fund unless otherwise stated in the memorandum of understanding (MOU) or as authorized by the Finance Committee.

B. Without Donor Restricted Funds: Earnings on these funds will remain unrestricted.

Spending Policy: The Foundation's Board of Directors, along with guidance from the Finance Committee, governs the use of the endowment funds and identifies the mission- related programs and services for which the funds can or will be used, in accordance with any donor restrictions.

Endowment net asset composition and types of funds are as follows as of June 30, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Donor Restricted Endowment Funds	\$ 7,404,026	\$ 8,500,877

Changes in endowment fund net assets were as follows:

	<u>2022</u>	<u>2021</u>
Endowment Funds' Net Assets, Beginning of Year	\$ 8,500,877	\$ 6,605,359
Contributions	31,803	88,021
Distributions	(113,641)	(363,713)
Transfers - Murphy Scholarship Became endowed in 2021	0	1,354
Investment Return:		
Investment Income	559,945	392,420
Realized and Unrealized Gains	(1,574,958)	1,777,436
Total Investment Return	(1,015,013)	2,169,856
Endowment Funds' Net Assets - End of Year	\$ 7,404,026	\$ 8,500,877

7. Related Party Transactions

All personnel providing services to the Foundation are employees of the College and are compensated by the College, including the cost of retirement and other benefit programs. The Foundation reimburses for that portion of each person's compensation and benefits allocable to the services they provide to the Foundation. For 2022 and 2021, such reimbursements amounted to \$40,983 and \$36,407, respectively and represented 100% of the cost for the Foundation's accountant.

In addition to those employees mentioned above, the Foundation may reimburse the College for a portion of the College's president's compensation, which comprise a portion of his transportation and housing. The last year the Foundation reimbursed the College was 2021 in the amount of \$6,000.

At June 30, 2022 and 2021, the Foundation owed the college \$3,676 and \$9,088, respectively.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

8. Net Assets

Net assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions	\$ 1,886,963	\$ 2,217,095
With Donor Restrictions:		
Endowments	7,404,026	8,500,877
Scholarships	205,110	227,972
ATOMS Program	321,159	384,698
Grove Community	95,500	97,000
Workforce Development	66,101	52,239
VuBay Programs	32,547	42,283
MTC Auditorium Programs	58,776	58,456
Car Show	31,994	30,569
Alumni Association	28,973	29,067
Chefs Go	41,125	26,106
Emergency Medical Services	29,001	29,132
Bridge the Gap	58,933	67,091
Claude Moore K12 Healthcare	429,369	370,670
Cybersecurity	15,634	15,634
Foodbank	23,808	20,164
Dever Changing Lives	113,597	114,012
Healthcare Initiative Program	25,000	25,000
Finish What You Start Program	137,286	0
Historic Triangle Trades Program	50,000	0
Other College Support	162,954	198,252
	<u>\$ 11,217,856</u>	<u>\$ 12,506,317</u>

9. Fair Value of Financial Instruments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See below for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis, interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments are reflected in the statements of activities.

Generally accepted accounting principles establish a 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 quoted prices (unadjusted) 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, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

See the accompanying Independent Auditor's Report.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

9. Fair Value of Financial Instruments, continued

Level 3

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

The asset or liability's fair value measurement 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 methodologies used by the Foundation to determine fair value of its investments. There have been no changes in the methodologies used at June 30, 2022 from those used at June 30, 2021.

Mutual Funds: Valued at the net asset value of shares held by the Foundation at year end reported on the active market on which the fund is sold (Level 1).

Individual Stocks: Valued at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities using pricing models that consider observable market data (Level 1).

Land Held for Investment: Valued based on assessed value at end of fiscal year performed by city tax assessor (Level 2).

Cash Surrender Value of Life Insurance Policies: Valued as calculated by issuing company (Level 2).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value at June 30, 2022 and 2021, respectively:

Description	2022			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 10,465,747	\$ 0	\$ 0	\$ 10,465,747
Individual Stocks	13,988	0	0	13,988
Land Held for Investment	0	532,300	0	532,300
Cash Surrender Value of Life Insurance Policies	0	44,612	0	44,612
	<u>\$ 10,479,735</u>	<u>\$ 576,912</u>	<u>\$ 0</u>	<u>\$ 11,056,647</u>

Description	2021			Total
	Level 1	Level 2	Level 3	
Mutual Funds	\$ 11,741,503	\$ 0	\$ 0	\$ 11,741,503
Individual Stocks	14,503	0	0	14,503
Land Held for Investment	0	532,300	0	532,300
Cash Surrender Value of Life Insurance Policies	0	43,298	0	43,298
	<u>\$ 11,756,006</u>	<u>\$ 575,598</u>	<u>\$ 0</u>	<u>\$ 12,331,604</u>

10. Financial Assets and Liquidity Resources

As of June 30, 2022 and 2021, respectively, financial assets and liquidity resources available within one year for general expenditures are as follows:

See the accompanying Independent Auditor's Report.

Thomas Nelson Community College Educational Foundation, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For The Years Ended June 30, 2022 and 2021

10. Financial Assets and Liquidity Resources, continued

Financial Assets:	2022	2021
Cash and cash equivalents / (overdraft)	\$ (313,765)	\$ (150,245)
Accounts receivable and unconditional promises	1,743	2,070
Investments	<u>2,327,113</u>	<u>2,507,707</u>
Total Financial Assets Available Within One Year	2,015,091	2,359,532
Liquidity Resources:	2022	2021
Bank Line of Credit	<u>150,000</u>	<u>150,000</u>
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 2,165,091</u>	<u>\$ 2,509,532</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The pledge receivables are subject to implied time restrictions but are expected to be collected within one year. The Foundation sets a goal of having financial assets on hand to meet 60 days of normal operating expenses, which are, on average, around \$180,000. As part of its liquidity management, the Foundation has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. The Foundation also invests its cash in excess of its daily needs in short-term cash bank accounts. Should an unforeseen liquidity need arise, the Foundation could also draw upon a \$150,000 available line of credit as discussed in Note 4.

11. In-Kind Contributions

For the years ended June 30, 2022 and 2021, in-kind contributions are as follows:

	2022	2021
Professional Services	\$ 284,814	\$ 269,521
Rent	6,564	6,564
Supplies and Equipment	<u>4,931</u>	<u>1,245</u>
	<u>296,309</u>	<u>277,330</u>

Contributed professional services are provided by the College. The College pays the compensation and benefits for the executive director, director of development and administrative program specialist for the Foundation.

The College provides office space and equipment to the Foundation at no cost to the Foundation. The rent is based on the current market rates per square foot.

Contributed supplies and equipment are valued using the estimated wholesale prices of similar products.

All in-kind contributions received during the years ended June 30, 2022 and 2021 were classified as without donor restrictions.

12. Subsequent Events

The Foundation has evaluated all events subsequent through August 15, 2022, which is the date these financial statements were available to be issued.