

**ELAINE P. NUNEZ COMMUNITY
COLLEGE FOUNDATION**

Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

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Stephen M. Griffin, CPA
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—
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Independent Auditors' Report

To the Board of Directors
Elaine P. Nunez Community College Foundation
Chalmette, Louisiana

We have audited the accompanying financial statements of the Elaine P. Nunez Community College Foundation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Elaine P. Nunez Community College Foundation as of June 30, 2019, 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.

Griffin & Furman, LLC

October 31, 2019

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position

June 30, 2019

Assets

Cash & cash equivalents:			
With donor restrictions	\$	517,261	
Without donor restrictions		<u>58,605</u>	
Total cash & cash equivalents			575,866
Investments:			
With donor restrictions		95,107	
Without donor restrictions		<u>14,759</u>	
Total investments			109,866
Other receivables			55
Cash with donor endowment restrictions			475,000
Investments with donor endowment restrictions			495,000
Receivable with donor endowment restrictions			<u>30,000</u>
Total assets			\$ <u><u>1,685,787</u></u>

Liabilities & Net Assets

Liabilities:			
Accounts payable - unrestricted	\$	22,189	
Accounts payable - restricted		47,042	
Funds held in trust		<u>489,498</u>	
Total liabilities			558,729
Net Assets:			
Without donor restrictions		51,229	
With donor restrictions		<u>1,075,829</u>	
Total net assets			<u>1,127,058</u>
Total liabilities & net assets			\$ <u><u>1,685,787</u></u>

See accompanying notes to the financial statements.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Statement of Activities

For the Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support & revenues:			
Contributions	\$ 43,146	165,964	209,110
Development and fundraising (Gala)	45,172	-	45,172
Interest income	1,204	15,015	16,219
Dividend income	211	15,909	16,120
Unrealized gain(loss) on investments	1,004	(11,853)	(10,849)
Realized loss on investments	-	15,541	15,541
Net assets released from restrictions	<u>65,004</u>	<u>(65,004)</u>	<u>-</u>
Total support & revenues	<u>155,741</u>	<u>135,572</u>	<u>291,313</u>
Expenses:			
Program services:			
Endowment Awards	\$ 13,679	-	13,679
Student Activities	31,767	-	31,767
Scholarships	22,529	-	22,529
Institutional Admin	13,910	-	13,910
Community Outreach	19,321	-	19,321
Supporting services:			
Donated Services	27,379	-	27,379
Accounting	7,550	-	7,550
Investment Fees	2,026	-	2,026
Dues and Memberships	<u>7,893</u>	<u>-</u>	<u>7,893</u>
Total expenses	<u>146,054</u>	<u>-</u>	<u>146,054</u>
Change in net assets	<u>9,687</u>	<u>135,572</u>	<u>145,259</u>
Net assets - beginning of year	41,542	1,398,487	1,440,029
Prior period adjustment	<u>-</u>	<u>(458,230)</u>	<u>(458,230)</u>
Net assets - beginning of year, as restated	<u>41,542</u>	<u>940,257</u>	<u>981,799</u>
Net assets - end of year	<u>\$ 51,229</u>	<u>1,075,829</u>	<u>1,127,058</u>

See accompanying notes to the financial statements.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Statement of Cash Flows

For the Year ended June 30, 2019

Cash flows from operating activities:		
Change in net assets	\$	<u>145,259</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized loss on investments		10,849
Realized gain on investments		(15,541)
Increase in assets:		
Receivable with donor endowment restrictions		(10,000)
Increase in liabilities:		
Accounts payable - unrestricted		18,996
Accounts payable - restricted		44,121
Funds held in trust		<u>20,000</u>
Total adjustments		<u>68,425</u>
Net cash provided by operating activities		213,684
Cash flows from investing activities:		
Purchase of permanently restricted investments		(665,518)
Net proceeds from sales of permanently restricted investments		<u>651,097</u>
Net cash used in investing activities		<u>(14,421)</u>
Net increase in cash & cash equivalents		199,263
Cash & cash equivalents, beginning of year		<u>851,603</u>
Cash & cash equivalents, end of year	\$	<u><u>1,050,866</u></u>
Cash and cash equivalents reconciliation:		
With donor restrictions	\$	517,261
Without donor restrictions		58,605
Cash with donor endowment restrictions		<u>475,000</u>
Cash and cash equivalents, end of year	\$	<u><u>1,050,866</u></u>

See accompanying notes to the financial statements.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

(a) General

The Elaine P. Nunez Community College Foundation (the Foundation) is a private, nonprofit 501 (c) (3) organizations dedicated to assisting the students attending Elaine P. Nunez Community College in pursuing their collegiate training. The Foundation also provides the Community College with funds to purchase personal property, to pay for services for instruction, to provide scholarships, and for the purpose of providing funds to carry on any proper activity of the College.

(b) Sources of Funding

The Foundation receives support from contributions and revenues generated by investments.

(c) Basis of Accounting

The Foundation maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

(d) Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

- Net assets without donor restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- Net assets with donor restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

(e) Use of Estimates

Management of the Foundation has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2019

(f) Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

(g) Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation's evaluation as of June 30, 2019 revealed no tax position that would have a material impact on the financial statements. The 2016 through 2018 tax years remain subject to examination by the IRS. The Foundation does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

(h) Cash & Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include bank deposits, money market accounts and certificates of deposit with maturities of three months or less.

(i) Cash & Cash Equivalents - Restricted

Restricted cash and cash equivalents consists of cash on deposit with financial institutions, the use of which is subject to donor restrictions.

(j) Concentrations of Credit Risk

The Foundation maintains its cash in bank deposit accounts at various financial institutions in the Greater New Orleans area where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits.

As of June 30, 2019, the Foundation's cash and cash equivalents were insured or collateralized with securities held by the bank in the name of the Foundation.

The Foundation receives a majority of its funding from individuals and small businesses located in the Southeast Louisiana area. These donations are generally received through a pledge campaign from Friends of the College.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2019

(k) Investments

Investments, consisting of equity securities and mutual funds are recorded at fair value. Unrealized gains and losses on investments with readily determinable fair values are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

- Level 1 lies at the top of the hierarchy, where inputs are quoted prices in active markets.
- Level 2 inputs are in the middle of the hierarchy, where data are adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.
- Level 3 inputs are unobservable and generated by the entity itself.

Certain investments in equity securities consist of publicly registered, non-listed real estate investment trusts (REIT) and business development companies (BDC). These investments are not publicly traded and thus active market prices are not available. The Foundation estimates the cost of these investments to approximate fair market value as the unit offering prices have remained unchanged since the purchase of these investments. This is considered a level 3 input for purposes of the fair value hierarchy. Aside from the initial purchase of these investments, there were no other increases or decreases in these investments during the year. All remaining investments are measured at level 1 inputs.

(l) Funds Held in Custody

Under agreements with the Louisiana Board of Regents and the College, the Foundation considers all state matching funds and the proportionate share of income generated and expenses paid from the endowments as funds held in custody.

(m) New Accounting Pronouncement

During the year ended June 30, 2019, the Foundation adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources,

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

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June 30, 2019

and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 2).

(2) Liquidity and Availability of Financial Assets

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Foundation's primary sources of support are contributions and revenue from investments.

The following table reflects the Foundation's financial assets (cash & cash equivalents and investments) as of June 30, 2019:

Financial assets available within one year and free of donor restrictions	
Cash & cash equivalents	\$ 58,605
Investments	14,759
Receivables	<u>55</u>
Available without restrictions within one year	73,419
Financial assets available within one year subject to donor restrictions	
Cash & cash equivalents	517,261
Investments	95,107
Financial assets subject to donor endowment restrictions	
Cash & cash equivalents	475,000
Investments	495,000
Receivables	<u>30,000</u>
Total financial assets	\$ <u>1,685,787</u>

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Notes to Financial Statements

June 30, 2019

(3) Investments

Fair value hierarchy classification at June 30, 2019, is summarized by category as follows:

	<u>Carrying Value</u>	<u>Fair Value Hierarchy</u>
Money Funds	\$ 23,628	Level 1
Mutual funds	514,915	Level 1
Equity securities (REIT & BDC)	<u>51,564</u>	Level 3
	<u>\$ 590,107</u>	

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

Dividends and interest	\$ 15,917
Realized gain on investments	15,541
Unrealized loss on investments	<u>(11,853)</u>
	<u>\$ 19,605</u>

(4) Net Assets Released from Restrictions

Net assets subject to donor restrictions are as follows as of June 30, 2019:

Arts Department	\$ 9,870
Horace Evans Fund	968
Student Activity	20,197
Day Care	1,701
History Lecture Series	9,001
Chancellor's Fund	602
Educational Partnership	13,733
NOETC Fund	29,348
Industrial Tech Fund	47,476
Air Products PTECH Support Fund	7,689
JP Morgan Chase Career Path	1,820
Scholarships	205,651
United Way	172
Other	18,711
Investment Income Restricted for Scholarships & Professorships	<u>118,890</u>
	<u>\$ 485,829</u>

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Notes to Financial Statements

June 30, 2019

Net assets were released from restrictions for the following purposes during the year ended June 30, 2019:

Student Activity	\$	31,767
NOETC Fund		7,893
Scholarships		13,000
Other		1,397
Investment Income Restricted for Scholarships & Professorships		<u>10,947</u>
	\$	<u>65,004</u>

Permanently restricted net assets consist of \$1,000,000 of Endowed Professorship Programs (more fully disclosed in Note 5) at June 30, 2019.

(5) Restricted Assets

Donor Designated Endowments

The Foundation's endowment consists of the following:

Endowed Professorships – Nine individual funds established to provide a permanent endowment beginning with \$100,000. These endowments are generally created by non-state contributions to the university that equal 60% of the endowment and are matched with funds from the Louisiana Board of Regents that equal 40% of the endowment.

Endowed Scholarships – Three individual funds established to provide permanent endowment. These endowments were created by non-state contributions to the university of \$50,000 that was matched by \$50,000 from the Louisiana Board of Regents.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, 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) Foundation's investment policies.

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

June 30, 2019

Investment Return Objectives, Risk Parameters and Strategies

The Foundation follows the Louisiana Board of Regents Statement of Investment Policy and Objectives from endowment assets that attempt to provide a source of funds provided through a return on the invested capital for the current and future support of the programs while also maintaining the purchasing power of these endowment assets over the long-term. Accordingly, the investment process seeks to attain an average real total return at or above the level of spending and fees. Real total return is investment return (gains and losses, realized and unrealized, as well as earnings) minus inflation. Inflation is measured by the change in the Consumer price Index – Urban.

Spending Policy

The Foundation follows the Louisiana Board of Regents Statement of Investment Policy and Objectives. The Foundation has a policy of appropriating for distribution each year an amount not greater than 5% of the market value of Program Assets averaged on a consistent basis for the five most recent fiscal trust fund years, provided that the market value of the Program Assets at the end of the most recent fiscal trust fund year exceeds the original corpus of the endowment. When the current market value of Program Assets is below the original corpus of that endowment, no spending is allowed. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 5% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Changes in endowment net assets for the year ended June 30, 2019 is summarized as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 102,236	570,000	672,236
Contributions	-	20,000	20,000
Interest and dividend income	23,915	-	40,024
Unrealized loss on investments	(11,853)	-	(19,755)
Realized gain on investments	15,541	-	25,901
Amount appropriated for expenditure	<u>(10,949)</u>	<u>-</u>	<u>(18,248)</u>
Endowment net assets, end of year	<u>\$ 118,890</u>	<u>590,000</u>	<u>708,890</u>

ELAINE P. NUNEZ COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements

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(6) Related Party Transactions

The Foundation makes donations to Elaine P. Nunez Community College to support its various programs. The College provides the Foundation with office space and with part time administrative personnel free of charge. The estimated value of these items amounts to \$27,379 and is recorded as contribution revenue and supporting services expenses in the Statement of Activities.

(7) Prior Period Adjustment

During the current year it was determined that a portion of the endowment funds had incorrectly been reported as net assets of the Foundation. This amount was equal to the State's matching contribution toward the endowment funds plus the earnings on those funds net of amounts expended for that purpose. As a result a prior period adjustment was recorded that decreased net assets with donor restrictions and increased the liability "Funds Held in Trust" by \$458,230.

(8) Evaluation of Subsequent Events

The Foundation has evaluated subsequent events through October 31, 2019, the date which the financial statements were available to be issued.