

QUINEBAUG VALLEY COMMUNITY
COLLEGE FOUNDATION, INC.

Independent Auditor's Report

June 30, 2021

QUINEBAUG VALLEY COMMUNITY COLLEGE
FOUNDATION, INC.

JUNE 30, 2021

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Shane, Navratil & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
Quinebaug Valley Community College Foundation, Inc.
742 Upper Maple Street
Danielson, Connecticut 06239

Independent Auditor's Report

We have audited the accompanying financial statements of Quinebaug Valley Community College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 circumstance, 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 Quinebaug Valley Community College Foundation, Inc., as of June 30, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Very truly yours,



SHANE, NAVRATIL & CO.
Certified Public Accountants

Willimantic, Connecticut
September 7, 2021

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$	306,611
Investments		5,751,459
Contributions Receivable		250
Pledges Receivable		38,796
Prepaid Expenses		4,952
<u>Total Current Assets</u>		<u>6,102,068</u>

TOTAL ASSETS

\$ 6,102,068

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts Payable	\$	250,573
Accrued Expenses		1,091
Pledges Payable		39,450
<u>Total Liabilities</u>		<u>291,114</u>

NET ASSETS:

Without donor restrictions		103,869
With donor restrictions		5,707,085
<u>Total Net Assets</u>		<u>5,810,954</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 6,102,068

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
<u>REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS:</u>			
Contributions	\$ 54,178	\$ 140,404	\$ 194,582
Fundraising	99,603	-	99,603
Investment Income, net	29,603	1,049,441	1,079,044
<u>Total Revenue, Gains and Other Support</u>	<u>183,384</u>	<u>1,189,845</u>	<u>1,373,229</u>
Net Assets Released from Restrictions	168,840	(168,840)	-
<u>Total Reclassifications</u>	<u>168,840</u>	<u>(168,840)</u>	<u>-</u>
<u>TOTAL REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS</u>	<u>352,224</u>	<u>1,021,005</u>	<u>1,373,229</u>
<u>EXPENDITURES:</u>			
Scholarships and Financial Aid	251,575	-	251,575
Fundraising Expenses	51,336	-	51,336
Associate Director Alumni Relation's Salary	36,906	-	36,906
Professional Fees	14,700	-	14,700
Administrative Support Salary	14,420	-	14,420
Employee Benefits	1,008	-	1,008
Administrative	6,087	-	6,087
Payroll Taxes	4,519	-	4,519
Alumni Expenses	246	-	246
Travel & Meetings	3,017	-	3,017
Insurance	3,143	-	3,143
Advertising	1,972	-	1,972
Appreciation & Gift Expenses	2,677	-	2,677
Other Expenses	375	-	375
<u>TOTAL EXPENDITURES</u>	<u>391,981</u>	<u>-</u>	<u>391,981</u>
<u>INCREASE/(DECREASE) IN NET ASSETS</u>	<u>(39,757)</u>	<u>1,021,005</u>	<u>981,248</u>
<u>NET ASSETS - Beginning of Year</u>	<u>143,626</u>	<u>4,686,080</u>	<u>4,829,706</u>
<u>NET ASSETS - End of Year</u>	<u>\$ 103,869</u>	<u>\$ 5,707,085</u>	<u>\$ 5,810,954</u>

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	\$ 981,248
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Realized/Unrealized Change in Value of Investments	(992,507)
Contributions Restricted for Investment in Endowments	(140,404)
(Increase)/Decrease in:	
Prepaid Expenses	(1,757)
Other Receivables	7,050
Pledges Receivable	(564)
(Decrease)/Increase in:	
Accounts Payable	6,858
Accrued Expenses	(2,887)
Pledges Payable	(22,600)
<u>Total Adjustments</u>	<u>(1,146,811)</u>
<u>Net Cash (Used) by Operating Activities</u>	<u>(165,563)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investments	(195,139)
Proceeds from Sale of Investments	174,158
<u>Net Cash (Used) by Investing Activities</u>	<u>(20,981)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Collections of Contributions Restricted for Investment in Endowments	140,404
<u>Net Cash Provided by Financing Activities</u>	<u>140,404</u>

<u>NET DECREASE IN CASH</u>	(46,140)
<u>CASH - Beginning of Year</u>	352,751
<u>CASH - End of Year</u>	<u>\$ 306,611</u>

Supplemental Disclosures:

Taxes Paid	\$ -
Interest Paid	\$ -

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(1) ORGANIZATION:

The Quinebaug Valley Community College Foundation, Inc., ("QVCC") a 501(c)(3) organization, was established in 1971 as a way to involve local businesses and community members in the college's fundraising efforts. The mission is to raise funds so that all residents of Northeastern Connecticut are provided the opportunity to attend QVCC regardless of income, to support educational excellence, technological advancement and professional development at the College and to serve as the Regional Advisory Council to the College. The Foundation provides annual support to the college in the form of scholarship/financial aid assistance and block grants.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The Foundation prepares its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Basis of Presentation:

The financial statements of QVCC have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets without donor restrictions that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, (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 statements of activities as net assets released from restrictions.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status:

The Foundation is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and similar provisions of the Connecticut Tax Code.

The Foundation regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax-exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, the Foundation has concluded that no tax benefits or liabilities are required to be recognized.

Investments:

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported in investment return in the statement of activities.

Recognition of Contributions:

Effective July 1, 2019, the Foundation adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). The guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective bases.

Revenue and Revenue Recognition:

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Revenue is recorded as the amounts are earned or due, pursuant to law or contract.

The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Advertising:

Advertising costs are expensed as incurred.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Concluded)

Contributions Receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Contributions receivable consisted of unconditional promises to give in the amount of \$250, all of which are expected to be collected within one year.

(3) NEW ACCOUNTING PRONOUNCEMENT:

The Foundation adopted ASU 2014-09, Revenue from Contracts with Customers, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers.

The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgement made by entities when the following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the Foundation to not recognize revenue until it is probable of collection. Based on the Foundation's collection experience, the Foundation has concluded that all revenue recognized is probable of collection.

(4) PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in income.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(5) ENDOWMENTS:

The Foundation has several donor restricted endowment funds. 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 Foundation has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors the endowment assets are invested using a diversified asset allocation strategy to avoid incurring a concentration of risk inherent in overinvesting in specific instruments, individual financial institutions or maturities.

The Foundation has a policy of appropriating for distribution each year up to 4.5% of the average of the prior twelve quarters of the fund's total worth as determined by the earnings, dividends, interest and growth as of June 30th.

The composition of the Foundation's endowment net assets as of June 30, 2021 is as follows:

Endowment funds without donor restrictions	\$ 21
Endowment funds with donor restrictions	<u>5,707,085</u>
Total	<u>\$ 5,707,106</u>

The changes in endowment Net Assets of the Foundation for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 21	\$ 4,686,080	\$ 4,686,101
Donations	-	140,403	140,403
Investment Return:			
Investment Income	-	121,534	121,534
Investment Fees	-	(38,250)	(38,250)
Net Gains/(Losses)(realized and unrealized)	-	966,157	966,157
Total Investment Return	-	1,049,441	1,049,441
Other Adjustments:			
Amounts appropriated for expenditure	-	(168,839)	(168,839)
Transfers	-	-	-
Total Other Adjustments	-	(168,839)	(168,839)
Endowment net assets, end of year	<u>\$ 21</u>	<u>\$ 5,707,085</u>	<u>\$ 5,707,106</u>

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(6) NET ASSETS:

Net Assets with donor restrictions were as follows for the year ended June 30, 2021

Subject to expenditures for specified purpose:

Rhoda Chase Emergency	\$ 6,059
Art Museum Day Trips	<u>6,108</u>
<u>Total</u>	<u>\$ 12,167</u>

Endowments:

Subject to QVCC's endowment spending policy and appropriation:

Scholarships & Financial Aid	\$ <u>5,694,918</u>
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Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors:

Satisfaction of purpose restrictions

Art Museum Day Trips	\$ -0-
Rhoda Chase Emergency	\$ 225

Restricted-purpose spending rate distributions and appropriations:

Scholarships and Financial Aid	<u>\$ 168,615</u>
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(7) DONATED SERVICES:

Volunteers have donated services in carrying out the Foundation's various fundraising and administrative activities. These services were not reflected in the accompanying statement of activities because they do not meet the criteria for recognition under GAAP. Only contributions of services that create or enhance non-financial assets, or that require specialized skills and would need to be purchased if not provided by donation, would be recorded at their fair values when received.

(8) PLEDGES RECEIVABLE – CAPITAL CAMPAIGN:

The Foundation had a Capital Campaign in a previous year to raise funds to furnish and equip the expansion of the college and to increase endowments for student aid. One pledge is in the form of a bequest and has been discounted for the time value of the period of collection. The outstanding pledges at June 30, 2021 are \$38,796.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(9) FAIR VALUES OF FINANCIAL INSTRUMENTS:

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Foundation groups assets at fair value in one level, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. This level is:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of measurement date

The following is a summary of investments as of June 30, 2021:

	<u>Level 1</u>
Fixed Income Funds	\$ 1,843,569
Equity Funds	3,728,285
Money Market	<u>179,605</u>
	<u>\$ 5,751,459</u>

(10) AVAILABILITY AND LIQUIDITY:

The following represents QVCC's financial assets at June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 306,611
Investments	5,751,459
Contributions receivable	<u>250</u>
	<u>Total financial assets 6,058,320</u>
 Net assets with donor restrictions	 5,707,085
Less net assets with purpose restrictions to be met in less than a year	 <u>(160,000)</u>
	<u>5,547,085</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 511,235</u>

QVCC's goal is generally to maintain financial assets to meet 45 days of operating expenses. QVCC is dependent on donations.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(11) FUNCTIONAL EXPENSES:

As the mission of the Foundation is to raise money to provide for scholarships and financial aid for the college, the Foundation considers all of its expenditures to be programmatic. The disclosure by natural classification is on the Statement of Activities.

(12) RELATED PARTY TRANSACTIONS:

The Foundation, in the normal course of its' activities, pays for services from organizations which are affiliated with members of its' Board of Directors. The Foundation believes all these compensated services are performed at fair value.

(13) SUPPORT TO COLLEGE:

The Foundation provides financial support to Quinebaug Valley Community College in the form of scholarships and financial aid to students and the college as well as maintaining scholarships that have been provided for through donations. The amount of financial aid and scholarship reimbursement paid to the college was \$251,575 for the year ended June 30, 2021.

(14) CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Foundation's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

(15) CASH AND CASH EQUIVALENTS:

Cash consists of cash deposits with the bank, including certificate of deposits. The Foundation considers all other highly liquid investments, with an original maturity of three months or less when purchased, to be cash equivalents.

QUINEBAUG VALLEY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(16) SUBSEQUENT EVENTS:

Beginning around March 2021, the COVID-19 virus been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries have been and continue to be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The members of the board have been carefully monitoring and evaluating its options during this time. No adjustments have been made to these financials statements as a result of this uncertainty.

Subsequent events have been evaluated through September 7, 2021, which is the date the financial statements were available to be issued.

QUINEBAUG VALLEY COMMUNITY COLLEGE

FOUNDATION, INC.

**Independent Auditor's Report
on Compliance with Connecticut
Statutes, Sections 4-37e through 4-37k**

June 30, 2021

Shane, Navratil & Co.

CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM K. NAVRATIL, CPA
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To the Board of Directors
Quinebaug Valley Community College Foundation, Inc.
742 Upper Maple Street
Danielson, Connecticut 06239

Independent Auditor's Report

We have examined Management's assertions that the Quinebaug Valley Community College Foundation, Inc. complied with Connecticut General Statutes, Sections 4-37e through 4-37k during the period July 1, 2020 through June 30, 2021. Management is responsible for Quinebaug Valley Community College Foundation, Inc.'s compliance with these requirements. Our responsibility is to express an opinion on Quinebaug Valley Community College Foundation, Inc.'s compliance based upon our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Quinebaug Valley Community College Foundation, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Quinebaug Valley Community College Foundation, Inc.'s compliance with specified requirements.

In our opinion, the Quinebaug Valley Community College Foundation, Inc. complied with Connecticut General Statutes Sections 4-37e through 4-37k during the period July 1, 2020 through June 30, 2021.

This report is intended solely for the Management and Board of Directors of Quinebaug Valley Community College Foundation, Inc. and the Quinebaug Valley Community College, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



SHANE, NAVRATIL & CO.
Certified Public Accountants

Willimantic, Connecticut
September 7, 2021