

# Sauk Valley College Foundation

Dixon, Illinois

Financial Report

Year Ended June 30, 2020



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Management of  
Sauk Valley College Foundation  
Dixon, Illinois

### **Report on Financial Statements**

We have audited the accompanying financial statements of Sauk Valley College Foundation (the Foundation, a nonprofit organization), a component unit of Sauk Valley Community College District 506, which comprise the statement of financial position as of June 30, 2020, 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; 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. 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 Sauk Valley College Foundation as of June 30, 2020, 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.

*Wipfli LLP*

Sterling, Illinois  
October 21, 2020

**FINANCIAL STATEMENTS**

# SAUK VALLEY COLLEGE FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2020

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### ASSETS

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|                          |                    |
|--------------------------|--------------------|
| Cash                     | \$810,080          |
| Certificates of deposits | 695,173            |
| Investments              | 5,766,848          |
| Pledges receivable       | 30,508             |
| Accrued interest         | 6,039              |
| Prepaid expenses         | 0                  |
| <b>Total assets</b>      | <b>\$7,308,648</b> |

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### LIABILITIES

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|                          |                  |
|--------------------------|------------------|
| Liabilities:             |                  |
| Accounts payable         | \$0              |
| Assets held for College  | 1,940,057        |
| Other accrued expenses   | 0                |
| <b>Total liabilities</b> | <b>1,940,057</b> |

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### NET ASSETS

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|   |                    |
|---|--------------------|
| Net assets:                             |                    |
| Without donor restrictions              | 741,556            |
| With donor restrictions                 | 4,627,035          |
| <b>Total net assets</b>                 | <b>5,368,591</b>   |
| <b>Total liabilities and net assets</b> | <b>\$7,308,648</b> |

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See Notes to Financial Statements.

**SAUK VALLEY COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2020

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total       |
|---|-------------------------------|----------------------------|-------------|
| Revenue, gains, and other support received:         |                               |                            |             |
| Contributions                                       | \$368,456                     | \$330,852                  | \$699,308   |
| Event revenue                                       | 16,575                        | 0                          | 16,575      |
| Investment return (loss), net                       | 72,035                        | 81,759                     | 153,794     |
| Reclassification of net assets                      | 6,948                         | (6,948)                    | 0           |
| Net assets released from restrictions               | 345,711                       | (345,711)                  | 0           |
| <hr/>   |                               |                            |             |
| Total revenue, gains, and other<br>support received | 809,725                       | 59,952                     | 869,677     |
| <hr/>   |                               |                            |             |
| Expenses:   |                               |                            |             |
| Program services:                                   |                               |                            |             |
| Grants, awards and scholarships                     |                               |                            |             |
| Student Scholarships                                | 217,477                       | 0                          | 217,477     |
| Awards  | 101,424                       | 0                          | 101,424     |
| Total program services                              | 318,901                       | 0                          | 318,901     |
| <hr/>   |                               |                            |             |
| Supporting services:                                |                               |                            |             |
| Management and general:                             |                               |                            |             |
| Supplies  | 1,147                         | 0                          | 1,147       |
| Professional fees                                   | 118,171                       | 0                          | 118,171     |
| In-kind - salaries, benefits, and rent              | 249,041                       | 0                          | 249,041     |
| Conference and meeting expenses                     | 13,540                        | 0                          | 13,540      |
| Maintenance and support fees                        | 44,413                        | 0                          | 44,413      |
| Other   | 17,949                        | 0                          | 17,949      |
| Total supporting services                           | 444,261                       | 0                          | 444,261     |
| <hr/>   |                               |                            |             |
| Fundraising:  |                               |                            |             |
| Fundraising   | 60,058                        | 0                          | 60,058      |
| Total fundraising                                   | 60,058                        | 0                          | 60,058      |
| <hr/>   |                               |                            |             |
| Total expenses                                      | 823,220                       | 0                          | 823,220     |
| <hr/>   |                               |                            |             |
| Change in net assets                                | (13,495)                      | 59,952                     | 46,457      |
| <hr/>   |                               |                            |             |
| Net assets, beginning of year                       | 755,051                       | 4,567,083                  | 5,322,134   |
| <hr/>   |                               |                            |             |
| Net assets, end of year                             | \$741,556                     | \$4,627,035                | \$5,368,591 |

See Notes to Financial Statements.

# SAUK VALLEY COLLEGE FOUNDATION

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

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### CASH FLOWS FROM OPERATING ACTIVITIES

|  |           |
|--|-----------|
| Change in net assets   | \$46,457  |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: |           |
| Unrealized (gains) losses of investments   | 81,967    |
| Realized (gains) losses of investments   | (205,839) |
| (Increase) decrease in operating assets -  |           |
| Accrued interest receivable  | 8,402     |
| Prepaid expenses   | 2,454     |
| Pledges receivable   | 1,838     |
| Increase (decrease) in operating liabilities:  |           |
| Funds held for others  | 0         |

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Net cash flows from operating activities (64,721)

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### CASH FLOWS FROM INVESTING ACTIVITIES

|                                      |             |
|--------------------------------------|-------------|
| Purchase of investments              | (1,059,067) |
| Proceeds from the sale of investment | 1,218,000   |

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Net cash flows from investing activities 158,933

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**INCREASE IN CASH EQUIVALENTS** 94,212

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 715,868

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**CASH AND CASH EQUIVALENTS, END OF YEAR** \$810,080

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# SAUK VALLEY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

#### Nature of Business

Sauk Valley College Foundation (the Foundation) was formed under the General Not-For-Profit Foundation Act of the State of Illinois on November 4, 1965. The Foundation has been approved by the Commissioner of Internal Revenue as an exempt organization under Section 501 of the Internal Revenue Code. Contributions to the Foundation qualify as charitable contributions for federal income tax purposes.

The Foundation was established to assist in carrying out the educational functions of Sauk Valley Community College. The Foundation provides funds by campaign or by other means for scholarships and fellowships for students, and endowments for the College for items having educational, artistic, historical, literary, or other cultural value.

#### Basis of Accounting

The accompanying financial statements are prepared on the accrual basis.

#### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net assets with donor restrictions:* net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Contributions and Revenues

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restriction support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as without donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at fair value at the date of the donation.

# SAUK VALLEY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

#### Contributions and Revenues (continued)

The Foundation reports gifts of land, buildings, and equipment as without donor support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restriction support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### Pledges Receivable

Unconditional pledges receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. As of June 30, 2020, pledges receivables were \$30,508.

#### Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation files Forms 990 (Return of Organization Exempt from Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the "more likely than not" recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Forms 990 filed by the Foundation are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 filed by the Foundation are no longer subject to examination for tax years before June 30, 2016.

#### Functional Allocation of Expenses

Included on the statement of activities is expenses by function with natural classification detail. Expenses that can be identified with a specific program are recorded directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various methods.

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**Note 1. Summary of Significant Accounting Policies (continued):**

Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and certificates of deposits. As of June 30, 2020, the bank balances of the Foundation's deposits were \$1,609,428, and the entire balance was secured by FDIC coverage and collateralized securities in the Foundation's name.

Certificates of Deposit

The Foundation holds non-brokered certificates of deposit which are carried at cost.

Investments and Investment Earnings

Investments consist primarily of assets invested in alternative investments and marketable equity securities. Investments in equity securities with readily determinable fair values are measured at the fair value in the statement of financial position. Alternative investments are measured at the net asset value per share as a practical expedient in the statement of financial position. Investment income or loss is included in the statement of activities as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Donated Services

Donated services are to be recognized in the financial statements. The services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. The Foundation receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. Donated services funded by the College are recognized in the financial statements and included in supporting services.

Assets Held for College

As a service to the Sauk Valley Community College, the Foundation permits the College to deposit its own funds with the Foundation for investment. The College established the fund for its own benefit and is classified by the Foundation as a liability. The Foundation maintains variance power and legal ownership of the funds based on the agency and intermediary agreements and as such continues to report the funds as assets of the Foundation.

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.

# SAUK VALLEY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

#### Subsequent Events

The Foundation has evaluated subsequent events through October 21, 2020 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2020 have been incorporated herein.

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Virus Crisis ("CV19 Crisis"). The Foundation had to cancel several alumni events at graduation, donations slowed, and new software/technology was purchased to maintain operations. The main fundraiser was rescheduled and will potentially be cancelled for fiscal year 2021. The long-term impact of the CV19 Crisis on the Organization cannot be reasonably estimated at this time.

#### Change in Accounting Policy

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Account Standards Codification 606 and determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires the Organizations to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The Organization has applied the amendments in this ASU on a modified retrospective basis. There was no change in opening balances of net assets and no prior period results were restated.

In May 2014, the FASB issued ASU No. 2014-09, Revenue From Contracts With Customers (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this guidance as of July 1, 2019 and applied Topic 606 on a modified retrospective basis. There was no change in opening balances of net assets and no prior period results were restated.

#### Pending Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02: *Leases*. When this standard is adopted, the primary accounting change will require lessees to recognize right of use assets and lease obligations for most operating leases as well as finance leases. This standard is effective for financial statement issued for annual periods beginning after December 15, 2020. Management is evaluating what impact this new standard will have on its financial statements.

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**Note 2. Liquidity and Availability of Financial Assets:**

The Foundation's primary sources of support are contributions, fundraising and income from investing its endowment. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. The following table reflects the Foundation's financial assets as of June 30, 2020, reduced by amounts not available for general expenditures:

|   |             |
|---|-------------|
| Total financial assets  | \$7,308,648 |
| Less those unavailable for general expenditure within one year due to:                    |             |
| Funds held for others   | 1,940,057   |
| Purpose restrictions  | 1,621,459   |
| Perpetual endowments  | 3,005,576   |
| <hr/>   |             |
| Financial assets available to meet cash needs for<br>general expenditures within one year | \$741,556   |

**Note 3. Investments:**

Interest, dividends, realized and unrealized gains and losses attributable to investments have been distributed based on each fund's percentage holdings of that investment. All investments are through an investment pool called Commonfund which carries funds at fair value. The investments at June 30, 2020 consisted of the following:

|                             | Fair<br>Value | Cost        | Unrealized<br>Appreciation<br>(Depreciation) |
|-----------------------------|---------------|-------------|--|
| Multi-Strategy Equity Funds | \$3,359,303   | \$2,650,603 | \$708,700                                    |
| Multi-Strategy Bond Funds   | 2,407,545     | 2,263,768   | 143,777                                      |
| <hr/>                       |               |             |  |
|                             | \$5,766,848   | \$4,914,371 | \$852,477                                    |

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2020:

|                           | Without<br>Donor<br>Restriction | With<br>Donor<br>Restriction | Total     |
|---------------------------|---------------------------------|------------------------------|-----------|
| Interest and dividends    | \$27,400                        | \$22,960                     | \$50,360  |
| Unrealized gains (losses) | (153,294)                       | 71,327                       | (81,967)  |
| Realized gains (losses)   | 205,839                         | 0                            | 205,839   |
| Investment fees           | (7,910)                         | (12,528)                     | (20,438)  |
| <hr/>                     |                                 |                              |           |
| Total                     | \$72,035                        | \$81,759                     | \$153,794 |

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**Note 4. Endowment Funds:**

The Foundation's endowment consists of approximately 50 donor-restricted individual funds established to be maintained permanently with earnings to be used for a variety of purposes.

The Foundation follows the laws prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA establishes law for the management and investment of donor-restricted endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted 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 any explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of the 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. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those assets have been appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed in UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Foundation and the donor-restricted endowment fund;
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 investment policies of the Foundation

Investment income generated by the Foundation's endowment funds are used to benefit each endowment's intended purpose and accordingly, investment losses are recognized in the Foundation's unrestricted net assets.

The endowment net asset composition by type of fund as of June 30, 2020 is as follows:

|                                  | <b>Without<br/>Donor<br/>Restriction</b> | <b>With<br/>Donor<br/>Restriction</b> | <b>Total<br/>Endowment<br/>Assets</b> |
|----------------------------------|--|---------------------------------------|---------------------------------------|
| Donor-restricted endowment funds | \$0                                      | \$3,752,668                           | \$3,752,668                           |

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**Note 4. Endowment Funds (continued):**

Changes in endowment net assets as of June 30, 2020 are as follows:

|  | Without<br>Donor<br>Restriction | With<br>Donor<br>Restriction | Total<br>Endowment<br>Assets |
|--|---------------------------------|------------------------------|------------------------------|
| Endowment net assets, beg of year                            | \$0                             | \$3,693,833                  | \$3,693,833                  |
| Investment return:   |                                 |                              |                              |
| Interest income  | 0                               | 10,431                       | 10,431                       |
| Net appreciation (realized and<br>unrealized) on investments | 0                               | 71,327                       | 71,327                       |
| Total investment return                                      | 0                               | 81,758                       | 81,758                       |
| Contributions  | 0                               | 109,998                      | 109,998                      |
| Reclassification per donor<br>agreement                      | 0                               | (7,836)                      | (7,836)                      |
| Appropriation of endowment assets<br>for expenditure         | 0                               | (125,085)                    | (125,085)                    |
| Endowment net assets, end of year                            | \$0                             | \$3,752,668                  | \$3,752,668                  |

**Funds with Deficiencies**

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. The Foundation had no individual donor-restricted endowment fund deficiencies at June 30, 2020.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment policies to maximize total return (appreciation and income) and to achieve a specified income level while minimizing credit risk and avoiding excessive market risk. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a specified period(s), as well as the earnings on those funds which have not yet been appropriated. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve the principal and provide liquidity of amounts over the principal while assuming a moderate level of investment risk.

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**Note 4. Endowment Funds (continued):**

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments returns are achieved through both capital appreciation (realized and unrealized and current yield (interest and dividends). The Foundation's policy is that its investments should consist of a high-quality portfolio of securities following "the Prudent Man rule." Management believes this strategy will help to achieve the Foundation's long-term return objectives within prudent risk constraints. While this is the long-term strategy, on a short-term basis the Foundation chose to invest in highly liquid, short-term securities.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy is that income from donor-restricted funds will be spent on the intended service, program, or purpose, within a reasonable time period.

**Note 5. Net Assets with Donor Restrictions:**

Net assets with donor restrictions consist of the following as of June 30, 2020

|  |             |
|--|-------------|
| Subject to expenditure for specified purpose:          |             |
| Student scholarships, awards and College support       | \$1,621,459 |
| Endowment subject to spending policy and appropriation | 3,005,576   |
|  | <hr/>       |
| Net assets with donor restrictions                     | \$4,627,035 |
|  | <hr/>       |

The Foundation reports gifts or cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2020 for scholarships, awards and College support totaled \$345,711.

The Foundation also reclassified \$6,948 of with donor restricted funds to without donor restrictions due to change in donor restrictions.



**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**Note 6. Pledges Receivable:**

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. The breakdown of pledges receivable as of June 30, 2020 is as follows:

|                                     |          |
|-------------------------------------|----------|
| Total Pledges Receivable            | \$35,135 |
| Less discounts to net present value | (4,627)  |
| <hr/>                               |          |
| Pledges Receivable                  | \$30,508 |
| <hr/>                               |          |
| Amounts due in:                     |          |
| Less than one year                  | \$8,448  |
| Due in more than one year           | 22,060   |
| <hr/>                               |          |
| Pledges Receivable                  | \$30,508 |
| <hr/>                               |          |

**Note 7. Funds Held for Others:**

The Foundation invests, under a fiduciary agreement with the Sauk Valley Community College, in an agent capacity. Transactions in funds held for others are summarized as follows:

|                                 |             |
|---------------------------------|-------------|
| Additions:                      |             |
| Net realized gains (losses)     | \$206,774   |
| Net unrealized gains (losses)   | (154,229)   |
| <hr/>                           |             |
|                                 | 52,545      |
| Deductions:                     |             |
| Distributions to Foundation     | (52,545)    |
| <hr/>                           |             |
| Change in funds held for others | 0           |
| Balance, beginning of year      | 1,940,057   |
| <hr/>                           |             |
| Balance, end of year            | \$1,940,057 |
| <hr/>                           |             |

**Note 8. Fair Value of Financial Instruments:**

Current accounting standards 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 fair value hierarchy, as described under current accounting standards, are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

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; or 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.

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

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**Note 8. Fair Value of Financial Instruments (continued):**

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

The fair value of investments in investment companies have a value of their capital account or net asset value calculated in accordance with, or in a manner consistent with U.S. generally accepted accounting principles (referred to as NAV). As a practical expedient, the Foundation is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The Foundation's investments in Commonfund's multi-strategy equity fund and multi-strategy bond fund in the alternative investment portfolio are generally valued based on the most current NAV received, adjusted for cash flows when the reported NAV is not at the measurement date. The Foundation adopted FASB Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, and therefore is not required to assign a level in the hierarchy to investments measured using NAV.

*Equity Investments*

Investments in equity vehicles are comprised of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

*Alternative Investments*

The alternative investment portfolio is made up of investments of shares of funds in Commonfund's multi-strategy equity fund and multi-strategy bond fund. The fund managers invest in a variety of securities based on the strategy of the fund. Some of the shares in those multi-strategy funds are traded in an active market. All alternative investments are valued at NAV and are categorized as Level 3.

At June 30, 2020, the Foundation's investments valued at net asset value were as follows:

|                            | Fair Value  | Redemption<br>Frequency (if<br>Currently Eligible) | Redemption<br>Notice<br>Period |
|----------------------------|-------------|--|--------------------------------|
| Multi-strategy equity fund | \$3,359,303 | Monthly  | 5 days                         |
| Multi-strategy bond fund   | 2,407,545   | Monthly  | 5 days                         |
| Total                      | \$5,766,848 |  |                                |

**SAUK VALLEY COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**Note 8. Fair Value of Financial Instruments (continued):**

The Foundation does not have any unfunded commitments related to the above investments as of June 30, 2020.

The table below sets forth a summary of changes in the value of the Foundation's investments measured using NAV:

|                                | Multi-Strategy<br>Equity Fund | Multi-Strategy Bond<br>Fund | Total              |
|--------------------------------|-------------------------------|-----------------------------|--------------------|
| Fair Value as of June 30, 2019 | \$3,533,558                   | \$2,270,524                 | 5,804,082          |
| Purchases                      | 558,600                       | 23,733                      | 582,333            |
| Sales                          | (723,000)                     | 0                           | (723,000)          |
| Fees                           | (13,449)                      | (6,990)                     | (20,439)           |
| Distributions to College       | (7,643)                       | (26,529)                    | (34,172)           |
| Unrealized gains               | 11,237                        | 146,807                     | 158,044            |
| Fair Value as of June 30, 2020 | <u>\$3,359,303</u>            | <u>\$2,407,545</u>          | <u>\$5,766,848</u> |

**Note 9. Related Parties:**

The Foundation is a component unit of Sauk Valley Community College District 506 (College) for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the College's financial statements. The College provides office space and support services for the Foundation. The estimated fair value of such in-kind benefits to the Foundation was \$249,041 for the year ended June 30, 2020 and is recognized as both a revenue and expense in the statement of activities. The Foundation paid the College \$318,901 for scholarships and awards during the year ended June 30, 2020.

On April 30, 2010 and 2013, the US Department of Education released the fund restrictions related to the Sauk Valley Community College's Endowment Challenge Grant. On August 31, 2014 the College transferred approximately \$1.9 million to the Foundation to manage on behalf of the College pursuant to an agreement dated November 25, 2014. The Foundation has entered into a "Gift Transfer and Management Agreement" with the College to manage, invest, and otherwise hold all gifts for the benefit of the College. The corpus of the gifts shall be invested and held in a manner so that the corpus of the gifts are identifiable and distinguishable from the Foundation's other holdings. The Foundation may use the investment income generated from the gifts for any purpose consistent with the Foundation articles of incorporation and by-laws. As of June 30, 2020, the Foundation has assets held for the College in the amount of \$1,940,057.