

Sauk Valley College Foundation

Dixon, Illinois

Financial Report

Year Ended June 30, 2022



WIPFLI

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sauk Valley College Foundation as of June 30, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Wipfli LLP

Sterling, Illinois
December 27, 2022

FINANCIAL STATEMENTS

SAUK VALLEY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

| | |
|--------------------------|-------------|
| Cash | \$799,051 |
| Certificates of deposits | 596,936 |
| Investments | 7,215,607 |
| Pledges receivable | 194,062 |
| Accrued interest | 645 |
| Prepaid expenses | 4,679 |
| <hr/> | |
| Total assets | \$8,810,980 |

LIABILITIES

| | |
|------------------------|----------|
| Liabilities: | |
| Assets held for others | \$93,220 |
| <hr/> | |
| Total liabilities | 93,220 |

NET ASSETS

| | |
|----------------------------------|-------------|
| Net assets: | |
| Without donor restrictions | 697,867 |
| With donor restrictions | 8,019,893 |
| <hr/> | |
| Total net assets | 8,717,760 |
| <hr/> | |
| Total liabilities and net assets | \$8,810,980 |

See Notes to Financial Statements.

SAUK VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-------------|
| Revenue, gains, and other support received: | | | |
| Contributions | \$108,721 | \$2,683,848 | \$2,792,569 |
| Contributed nonfinancial assets | 295,078 | 0 | 295,078 |
| Event revenue | 15,746 | 0 | 15,746 |
| Investment return (loss), net | (441,612) | (546,948) | (988,560) |
| Reclassification of net assets | 1,544 | (1,544) | 0 |
| Net assets released from restrictions | 505,010 | (505,010) | 0 |
| | | | |
| Total revenue, gains, and other support received | 484,487 | 1,630,346 | 2,114,833 |
| Expenses: | | | |
| Program services: | | | |
| Grants, awards and scholarships | | | |
| Student Scholarships | 269,987 | 0 | 269,987 |
| Awards | 222,729 | 0 | 222,729 |
| Total program services | 492,716 | 0 | 492,716 |
| Supporting services: | | | |
| Management and general: | | | |
| Supplies | 2,159 | 0 | 2,159 |
| Professional fees | 35,132 | 0 | 35,132 |
| In-kind - salaries, benefits, and rent | 295,078 | 0 | 295,078 |
| Conference and meeting expenses | 12,324 | 0 | 12,324 |
| Maintenance and support fees | 61,652 | 0 | 61,652 |
| Other | 29,201 | 0 | 29,201 |
| Total supporting services | 435,546 | 0 | 435,546 |
| Fundraising: | | | |
| Fundraising | 26,577 | 0 | 26,577 |
| Total fundraising | 26,577 | 0 | 26,577 |
| | | | |
| Total expenses | 954,839 | 0 | 954,839 |
| | | | |
| Change in net assets | (470,352) | 1,630,346 | 1,159,994 |
| | | | |
| Net assets, beginning of year | 1,168,219 | 6,389,547 | 7,557,766 |
| | | | |
| Net assets, end of year | \$697,867 | \$8,019,893 | \$8,717,760 |

See Notes to Financial Statements.

SAUK VALLEY COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|-------------|
| Change in net assets | \$1,159,994 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | |
| Unrealized (gains) losses of investments | 1,015,493 |
| Realized (gains) losses of investments | (49,989) |
| (Increase) decrease in operating assets - | |
| Accrued interest receivable | 561 |
| Prepaid expenses | 821 |
| Pledges receivable | 581,674 |
| Increase (decrease) in operating liabilities: | |
| Assets held for College | (1,940,057) |
| Assets held for others | 19,643 |
| <hr/> | |
| Net cash flows from operating activities | 788,140 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-------------|
| Purchase of investments | (1,750,244) |
| Proceeds from the sale of investment | 782,857 |
| <hr/> | |
| Net cash flows from investing activities | (967,387) |

INCREASE IN CASH EQUIVALENTS (179,247)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 978,298

CASH AND CASH EQUIVALENTS, END OF YEAR \$799,051

See Notes to Financial Statements.

SAUK VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 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.

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, 2022, the bank balances of the Foundation's deposits were \$1,420,157, and the entire balance was secured by FDIC coverage and collateralized securities in the Foundation's name.

SAUK VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 Summary of Significant Accounting Policies (continued):

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. Alternative investments are measured at the net asset value per share as a practical expedient in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Pledges Receivable

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge. Management has considered these pledges to be fully collectible; therefore, no allowance has been recorded.

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.

Use of 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, 2022

Note 1 Summary of Significant Accounting Policies (continued):

Contributions and Revenues

Contributions are recognized when the donor or grantor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. If a restriction is met in the same period that the contribution is received, the contribution is reported as net assets without donor restrictions.

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

The Foundation reports gifts of land, buildings, and equipment as unrestricted 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 restricted 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.

Contributed nonfinancial assets

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed services are recognized in the financial statements, if the services (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. These amounts are included in the financial statements as contributed nonfinancial asset revenues and expenses.

SAUK VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 Summary of Significant Accounting Policies (continued):

Contributed nonfinancial assets (continued)

The Foundation also receives contributed services generally in the form of contributed time by volunteers. However, these contributed services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Assets Held for Others

In March 2021, the Foundation entered into an agreement with the Whiteside Area Career Center (WACC) to be the fiduciary agent for the Creating Entrepreneurial Opportunities (CEO) Program. This program prepares youth to be responsible, enterprising individuals who become entrepreneurs or entrepreneurial thinkers and contribute to economic development and sustainable communities. The Foundation will hold contributions in a designated account and disburse funds as requested by WACC.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation is classified as public charity. The Foundation is also exempt from state income tax.

The Foundation assesses whether it is more likely than not that a tax position will be sustained upon examination of the technical merits or the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Foundation recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

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.

Change in Accounting Policy

In 2020, the FASB issued Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07). The amendments in this ASU apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. There was no change in opening balances of net assets and no prior period results were restated.

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1 Summary of Significant Accounting Policies (continued):

Pending Accounting Pronouncements

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. Management is evaluating what impact this new standard will have on its financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through December 27, 2022 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2022 have been incorporated herein.

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, 2022, reduced by amounts not available for general expenditures:

| | |
|--|-------------|
| Total financial assets | \$8,806,301 |
| Less those unavailable for general expenditure within one year due to: | |
| Funds held for others | 93,220 |
| Purpose restrictions | 1,590,996 |
| Perpetual endowments | 6,428,897 |
| <hr/> | |
| Financial assts available to meet cash needs for general expenditures within one year | \$693,188 |

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, 2022 consisted of the following:

| | Fair Value | Cost | Unrealized Appreciation (Depreciation) |
|-----------------------------|---------------|-------------|--|
| Multi-Strategy Equity Funds | \$4,297,773 | \$3,144,083 | \$1,153,690 |
| Multi-Strategy Bond Funds | 2,917,834 | 3,022,666 | (104,832) |
| <hr/> | | | |
| | \$7,215,607 | \$6,166,749 | \$1,048,858 |

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3 Investments (continued):

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2022:

| | Without Donor Restriction | With Donor Restriction | Total |
|---------------------------|---------------------------------|------------------------------|--------------------|
| Interest and dividends | \$2,215 | \$1,298 | \$3,513 |
| Unrealized gains (losses) | (443,829) | (571,664) | (1,015,493) |
| Realized gains (losses) | 2 | 49,987 | 49,989 |
| Investment fees | 0 | (26,569) | (26,569) |
| Total | \$(441,612) | \$(546,948) | \$(988,560) |

Note 4 Endowment Funds:

The Foundation's endowment consists of approximately 56 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

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4 Endowment Funds (continued):

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, 2022 is as follows:

| | Without Donor Restriction | With Donor Restriction | Total Endowment Assets |
|----------------------------------|---------------------------------|------------------------------|------------------------------|
| Donor-restricted endowment funds | \$0 | \$6,689,266 | \$6,689,266 |

Changes in endowment net assets as of June 30, 2022 are as follows:

| | Without Donor Restriction | With Donor Restriction | Total Endowment Assets |
|--|---------------------------------|------------------------------|------------------------------|
| Endowment net assets, beg of year | \$0 | \$5,513,555 | \$5,513,555 |
| Investment return: | | | |
| Interest income | 0 | (25,270) | (25,270) |
| Net appreciation (realized and unrealized) on investments | 0 | (965,508) | (965,508) |
| Total investment return | 0 | 990,778 | 990,778 |
| Contributions | 0 | 2,349,593 | 2,349,593 |
| Reclassification per donor agreement | 0 | 0 | 0 |
| Appropriation of endowment assets for expenditure | 0 | (183,104) | (183,104) |
| Endowment net assets, end of year | \$0 | \$6,689,266 | \$6,689,266 |

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, 2022.

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4 Endowment Funds (continued):

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.

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, 2022:

| | |
|--|-------------|
| Subject to expenditure for specified purpose: | |
| Student scholarships, awards and College support | \$1,590,996 |
| Endowment subject to spending policy and appropriation | 6,428,897 |
| | <hr/> |
| Net assets with donor restrictions | \$8,019,893 |
| | <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, 2022 for scholarships, awards and College support totaled \$505,010.

The Foundation also reclassified \$1,544 of without donor restricted funds to with donor restrictions due to change in donor restrictions.

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022 is as follows:

| | |
|-------------------------------------|-----------|
| Total Pledges Receivable | \$194,062 |
| Less discounts to net present value | 0 |
| <hr/> | |
| Pledges Receivable | \$194,062 |
| <hr/> | |
| Amounts due in: | |
| Less than one year | \$174,999 |
| Due in more than one year | 19,063 |
| <hr/> | |
| Pledges Receivable | \$194,062 |
| <hr/> | |

Note 7 Assets Held for Others:

The Foundation is holding assets for others as a fiduciary agent. According to GAAP, since the Foundation is acting as a fiduciary agent, no revenues or expenses are recorded for receipts and payments of pass-through monies. Assets held for others at year end are recorded as a payable to organization that controls the assets.

Transactions in funds held for others are summarized as follows:

| | Sauk Valley Community College | WACC CEO Program |
|---------------------------------|--|-----------------------------|
| Balance, beginning of year | \$1,940,057 | \$73,577 |
| Add (deduct): | | |
| Contributions | 0 | 151,222 |
| Program expenses | 0 | (131,579) |
| Distributions to Foundation | (1,940,057) | 0 |
| <hr/> | | |
| Change in funds held for others | 0 | 19,643 |
| <hr/> | | |
| Balance, end of year | \$0 | \$93,220 |
| <hr/> | | |

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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.

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

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. The fair value of alternative investments is based on the net asset value (NAV) per share as a practical expedient. In accordance with FASB ASC 820, certain investments that are measured using the NAV per share as a practical expedient are not required to be classified in the fair value hierarchy which applied to investments in Commonfund's funds.

At June 30, 2022, the Foundation's investments valued at NAV were as follows:

| | Fair Value | Redemption Frequency | Redemption Notice |
|----------------------------|-------------------|---------------------------------|------------------------------|
| Multi-strategy equity fund | \$4,297,773 | Monthly | 5 days |
| Multi-strategy bond fund | 2,917,834 | Monthly | 5 days |
| Total | \$7,215,607 | | |

The Foundation does not have any unfunded commitments related to the above investments as of June 30, 2022.

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8 Fair Value of Financial Instruments (continued):

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

| | Multi-Strategy Equity Fund | Multi-Strategy Bond Fund | Total |
|--------------------------------|-------------------------------|-----------------------------|-------------|
| Fair Value as of June 30, 2021 | \$4,688,385 | \$2,426,741 | \$7,115,126 |
| Purchases | 820,220 | 946,813 | 1,767,033 |
| Sales | (544,527) | (129,947) | (674,474) |
| Fees | (18,119) | (8,450) | (26,569) |
| Unrealized gains | (648,187) | (317,322) | (965,509) |
| Fair Value as of June 30, 2022 | \$4,297,772 | \$2,917,835 | \$7,215,607 |

Information regarding the fair value of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2022 follows:

| | Nonrecurring Fair Value Measurements At Reporting Date Using | | | |
|---|---|------------|------------|------------------|
| | Total | (Level 1) | (Level 2) | (Level 3) |
| Assets measured at fair value on a nonrecurring basis: | | | | |
| Contributed nonfinancial assets: | | | | |
| Services | \$291,578 | \$0 | \$0 | \$291,578 |
| Goods | 3,500 | 0 | 0 | 3,500 |
| Total | \$295,078 | \$0 | \$0 | \$295,078 |

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following tables represent the Foundation's Level 3 assets, the valuation techniques used to measure the fair value of the assets, the significant unobservable inputs, and the ranges of values for those inputs.

| As of June 30, 2022 | | | | |
|----------------------------------|------------------|------------------------|---|-------|
| Assets | Fair Value | Valuation Technique | Significant Unobservable Inputs | Range |
| Contributed nonfinancial assets: | | | | |
| Services | 291,578 | Market Approach | Fair value of services contributed to Foundation | N/A |
| Goods | 3,500 | Market Approach | Fair value of assets contributed to Foundation | N/A |
| Total | \$295,078 | | | |

SAUK VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 \$291,578 for the year ended June 30, 2022 and is recognized as both a revenue and expense in the statement of activities. The Foundation paid the College \$492,716 for scholarships and awards during the year ended June 30, 2022.

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. On July 1, 2021, the College permanently transferred the \$1.9M to the Foundation to be used for the Impact Program pursuant to an agreement dated July 1, 2021. As of June 30, 2022, the Foundation has assets held for the College in the amount of \$0 and recorded contributions from the College of \$1,940,057.

Note 10 Contributed Nonfinancial Assets:

Contributed nonfinancial assets as of June 30, 2022 consist of the following:

| | |
|---------------------------------------|-----------|
| Services | \$291,578 |
| Goods | 3,500 |
| <hr/> | |
| Total contributed nonfinancial assets | \$295,078 |

The Foundation recognizes contributed nonfinancial assets within revenues, including contributed administrative services and fundraising goods. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized comprise of professional services from the College relating to payroll of Foundation management and marketing services. Foundation management are considered College employees and the management services are valued using the salary that the College pays management. Contributed marketing services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar marketing services.

Contributed goods were used for giveaways for fundraising events. Contributed goods are valued and are reported at the estimated fair value in the financial statements based on estimates of wholesale values that would be received for selling similar products in the United States.