

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
**(a component unit of North Shore Community College)**

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**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
(a component unit of North Shore Community College)

**Financial Statements**

**June 30, 2023 and 2022**

**C O N T E N T S**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
North Shore Community College Foundation, Inc.:

### Report on Audit of Financial Statements

#### Opinion

We have audited the accompanying financial statements of North Shore Community College Foundation, Inc. (the "Foundation") (a component unit of North Shore Community College) which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, 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 respective financial position of the Foundation as of June 30, 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

#### Other Matter

The financial statements of the Foundation as of and for the year ended June 30, 2022, were audited by O'Connor & Drew, P.C., who joined WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated September 20, 2022.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 in the United States of America and *Government 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 in the United States of America and *Government 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 the 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 the 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



September 12, 2023

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**

(a component unit of North Shore Community College)

**Statements of Financial Position**

**June 30,**

**Assets**

	<u>2023</u>	<u>2022</u>
<b>Current Assets:</b>		
Cash and equivalents	\$ 2,056,691	\$ 1,141,821
Restricted cash	148,624	159,205
Current portion of pledges receivable	<u>274,050</u>	<u>10,700</u>
<b>Total Current Assets</b>	<u>2,479,365</u>	<u>1,311,726</u>
<b>Other Assets:</b>		
Pledges receivable, net of current portion	254,471	27,462
Investments	<u>11,070,085</u>	<u>9,736,182</u>
<b>Total Assets</b>	<u>\$ 13,803,921</u>	<u>\$ 11,075,370</u>

**Liabilities and Net Assets**

<b>Current Liabilities:</b>		
Accounts payable	\$ 44,998	\$ 17,116
Funds held for others	<u>148,624</u>	<u>159,205</u>
<b>Total Current Liabilities</b>	<u>193,622</u>	<u>176,321</u>
<b>Net Assets:</b>		
Without donor restrictions	956,515	1,032,128
With donor restrictions	<u>12,653,784</u>	<u>9,866,921</u>
<b>Total Net Assets</b>	<u>13,610,299</u>	<u>10,899,049</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 13,803,921</u>	<u>\$ 11,075,370</u>

*The accompanying notes are an integral part of these financial statements.*

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
(a component unit of North Shore Community College)

**Statements of Activities and Changes in Net Assets**

**For the Years Ended June 30,**

	2023			2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>Revenue:</b>						
Contributions and gifts of cash and other financial assets	\$ 185,590	\$ 2,353,918	\$ 2,539,508	\$ 265,536	\$ 794,859	\$ 1,060,395
Investment return, net	33,581	1,172,702	1,206,283	88,378	(1,590,079)	(1,501,701)
Contributions and gifts of nonfinancial assets	142,526	-	142,526	160,242	-	160,242
Event revenue	-	114,639	114,639	-	204,835	204,835
Net assets released from restrictions	854,396	(854,396)	-	689,417	(689,417)	-
	<b>1,216,093</b>	<b>2,786,863</b>	<b>4,002,956</b>	<b>1,203,573</b>	<b>(1,279,802)</b>	<b>(76,229)</b>
<b>Total Revenue</b>						
<b>Expenses:</b>						
Program services	1,037,760	-	1,037,760	923,082	-	923,082
Management and general	119,952	-	119,952	114,419	-	114,419
Fundraising	133,994	-	133,994	124,081	-	124,081
	<b>1,291,706</b>	<b>-</b>	<b>1,291,706</b>	<b>1,161,582</b>	<b>-</b>	<b>1,161,582</b>
<b>Total Expenses</b>						
<b>Changes in Net Assets</b>	<b>(75,613)</b>	<b>2,786,863</b>	<b>2,711,250</b>	<b>41,991</b>	<b>(1,279,802)</b>	<b>(1,237,811)</b>
Net Assets, Beginning of Year	<b>1,032,128</b>	<b>9,866,921</b>	<b>10,899,049</b>	<b>990,137</b>	<b>11,146,723</b>	<b>12,136,860</b>
<b>Net Assets, End of Year</b>	<b>\$ 956,515</b>	<b>\$ 12,653,784</b>	<b>\$ 13,610,299</b>	<b>\$ 1,032,128</b>	<b>\$ 9,866,921</b>	<b>\$ 10,899,049</b>

*The accompanying notes are an integral part of these financial statements.*

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
(a component unit of North Shore Community College)

**Statements of Functional Expenses**

**For the Years Ended June 30,**

	2023				2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Scholarships and grants to the college	\$ 1,016,896	\$ -	\$ -	\$ 1,016,896	\$ 903,244	\$ -	\$ -	\$ 903,244
In-kind services	20,864	78,812	42,850	142,526	19,838	76,203	64,201	160,242
Fundraising event	-	-	52,837	52,837	-	-	55,130	55,130
Professional fees	-	16,536	26,192	42,728	-	16,357	-	16,357
Meetings	-	1,562	12,115	13,677	-	864	-	864
Subscriptions	-	11,740	-	11,740	-	12,903	-	12,903
Insurance - general	-	4,811	-	4,811	-	4,714	-	4,714
Office expenses	-	3,763	-	3,763	-	637	-	637
Credit card and bank fees	-	1,296	-	1,296	-	2,079	-	2,079
Postage and mailing services	-	913	-	913	-	106	4,750	4,856
Filing fees	-	519	-	519	-	556	-	556
<b>Total Expenses</b>	<b><u>\$ 1,037,760</u></b>	<b><u>\$ 119,952</u></b>	<b><u>\$ 133,994</u></b>	<b><u>\$ 1,291,706</u></b>	<b><u>\$ 923,082</u></b>	<b><u>\$ 114,419</u></b>	<b><u>\$ 124,081</u></b>	<b><u>\$ 1,161,582</u></b>

*The accompanying notes are an integral part of these financial statements.*

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**

**(a component unit of North Shore Community College)**

**Statements of Cash Flows**

**For the Years Ended June 30,**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 2,711,250	\$ (1,237,811)
Adjustments to reconcile changes in net assets to cash flows provided by operating activities:		
Discount on pledges receivable	24,929	2,458
Net realized and unrealized (gains) losses on investments	(1,006,663)	1,646,858
Net changes in assets and liabilities:		
Pledges receivable	(515,288)	(15,470)
Accounts payable	27,882	2,722
Funds held for others	<u>(10,581)</u>	<u>(6,448)</u>
Net Adjustments	<u>(1,479,721)</u>	<u>1,630,120</u>
Cash Flows Provided by Operating Activities	<u>1,231,529</u>	<u>392,309</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	2,127,144	2,988,588
Purchases of investments	<u>(2,454,384)</u>	<u>(2,922,684)</u>
Cash Flows Provided by (Applied to) by Investing Activities	<u>(327,240)</u>	<u>65,904</u>
<b>Net Change in Cash and Equivalents</b>	<b>904,289</b>	<b>458,213</b>
Cash and Equivalents and Restricted Cash, Beginning of Year	<u>1,301,026</u>	<u>842,813</u>
<b>Cash and Equivalents and Restricted Cash, End of Year</b>	<b><u>\$ 2,205,315</u></b>	<b><u>\$ 1,301,026</u></b>
<b>Cash and equivalents and restricted cash consist of the following at June 30:</b>		
Cash and equivalents	\$ 2,056,691	\$ 1,141,821
Restricted cash	<u>148,624</u>	<u>159,205</u>
Total	<u>\$ 2,205,315</u>	<u>\$ 1,301,026</u>

*The accompanying notes are an integral part of these financial statements.*



**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
**(a component unit of North Shore Community College)**

**Notes to the Financial Statements**

**June 30, 2023 and 2022**

Note 1 - **Organization**

North Shore Community College Foundation, Inc. (the “Foundation”) is a not-for-profit organization whose purpose is to receive donations, which provide scholarships for eligible students and grants for the benefit of North Shore Community College (the “College”).

Note 2 - **Summary of Significant Accounting Policies**

*Method of Accounting*

The accompanying financial statements have been prepared in conformity with the accrual basis of accounting in accordance with generally accepted accounting principles (“U.S. GAAP”).

*Financial Statement Presentation*

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the objectives of the Foundation.

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

*Measure of Operations*

The statements of activities report all changes in net assets. Operating activities consist of those items attributable to the Foundation’s ongoing purpose and the return earned on investments. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
**(a component unit of North Shore Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 2 - **Summary of Significant Accounting Policies - Continued**

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of pledges receivable.

*Cash and Equivalents*

The Foundation considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents.

*Restricted Cash*

The Foundation's restricted cash consists of funds held on behalf of North Shore Community College Alumni Association (the "Association").

*Pledges 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 contributions and gifts of cash and other financial assets. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2023 and 2022, management has concluded an allowance for doubtful accounts is not required.

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
**(a component unit of North Shore Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 2 - **Summary of Significant Accounting Policies - Continued**

*Investments*

Investments are stated at fair value. Publicly traded securities are valued based upon quoted market prices at the close of business on the last day of the fiscal year. Unrealized gains and losses are included in the change in net assets. Realized investment gains and losses are determined by using the average cost of the investment. Purchases and sales of investments are recorded at cost of the trade date.

Securities received as gifts are recorded at fair value at the date of the gift.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

*Fair Value Measurements*

Promulgations of the Financial Accounting Standards Board (“FASB”) have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described 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.

**NORTH SHORE COMMUNITY COLLEGE  
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**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 2 - **Summary of Significant Accounting Policies - Continued**

*Fair Value Measurements - continued*

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; and
- 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 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management establishes the fair value measurement valuation policies for the valuation of all investments. Annually, at a minimum, management reviews the continuing viability of the valuation techniques used to establish fair value measurements and evaluates and adjusts, as necessary, the unobservable inputs used in the fair value measurements based on current market conditions and other third-party information. The Board of Directors assesses and approves these policies. Any transfers between levels of the fair value hierarchy are recognized at the end of a reporting period.

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
**(a component unit of North Shore Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 2 - **Summary of Significant Accounting Policies - Continued**

*Funds Held for Others*

The Foundation acts as a fiscal agent on behalf of the Association. The Association has its own Board of Directors, which makes all financial decisions. The Foundation is responsible for the management and administration of these funds on behalf of the Association and reflects these funds in restricted cash and equivalents and funds held for others on the statements of financial position.

*Endowment Funds*

Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor-restricted funds and focuses on the prudent spending of the entire donor-restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA’s requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor’s intended purpose of the endowment fund, stipulated or otherwise.

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donor stipulations must be classified as net assets with donor restrictions until approved for expenditure by the Foundation. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the Foundation.

The Foundation’s Board of Directors classifies donor-restricted funds and earnings thereon in accordance with applicable state law as interpreted by the Attorney General. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor. The Foundation’s investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds.

**NORTH SHORE COMMUNITY COLLEGE  
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**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 2 - **Summary of Significant Accounting Policies - Continued**

*Endowment Funds - continued*

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as “underwater”, is reported as losses within net assets with donor restrictions. The Board of Directors has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2023 and 2022, the Foundation did not have endowment funds below the amount of the donor-required levels.

*Contributions*

Contributions are recognized as revenue when the conditions contained in the respective agreements have been met. Contributions are conditional if there is a barrier that must be overcome before the recipient is entitled to the asset transferred and the donor has the right to request the asset back if it was not used properly.

Unconditional 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 an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding the purpose and 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.

**NORTH SHORE COMMUNITY COLLEGE  
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**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 2 - **Summary of Significant Accounting Policies - Continued**

*Revenue Recognition*

The Foundation holds special events for the general public. The transaction price is the consideration that the Foundation expects to receive for the entrance fee and sponsorship. The Foundation collects payment at the time of registration, or shortly after. The Foundation considers the performance obligation to be the event and recognizes revenue at the time that the event occurs. The Foundation's revenues and cash flows are correlated to the general conditions of the economy. Contract liabilities represent payments the Foundation receives in advance of the event. Contract liabilities are presented in the statements of financial position as deferred revenue, if applicable, and are recognized as income in the period in which the event takes place.

*Income Taxes*

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

U.S. GAAP requires an entity to assess the probability that a tax position has a more likely than not sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

*Functional Allocations of Expenses*

Expenses are categorized by program services, management and general, or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgement. A variety of cost allocation techniques are used such as time and effort and square footage.

*Reclassification*

Certain amounts on the 2022 financial statements have been reclassified to confirm to the 2023 presentation.

**NORTH SHORE COMMUNITY COLLEGE  
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**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 3 - **Pledges Receivable**

Pledges receivable at June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 274,050	\$ 10,700
Due in one to five years	279,400	30,000
Due in more than five years	<u>          -</u>	<u>          -</u>
Total pledges receivable	<b>553,450</b>	40,700
Less: discount to net present value	<u>24,929</u>	<u>2,538</u>
Net pledges receivable	<b>528,521</b>	38,162
Less: current portion	<u>274,050</u>	<u>10,700</u>
Pledges receivable, net of current portion	<b><u>\$ 254,471</u></b>	<b><u>\$ 27,462</u></b>

The long-term portion of pledges receivable is discounted at 4.49% and 2.99% at June 30, 2023 and 2022, respectively.

Note 4 - **Conditional Grant**

During fiscal year 2019, the Foundation was awarded a \$1,000,000 grant to expand one of the College's programs. Payment was conditional upon meeting certain conditions and College matching requirements and is payable in installments over four fiscal years (2019 - 2022). As of June 30, 2022, the entire \$1,000,000 grant has been recognized as revenue as all conditions have been met.

Note 5 - **Fair Value Measurements**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 for the investments.

*Fixed income:* Valued at the net asset value ("NAV") of the shares held at fiscal year end.



**NORTH SHORE COMMUNITY COLLEGE  
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(a component unit of North Shore Community College)

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 5 - **Fair Value Measurements - Continued**

*Equities:* Valued at quoted market value of the shares held at fiscal year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, the Foundation's investments as of June 30,:

	2023			
	Level 1	Level 2	Level 3	Total
Fixed income	\$ -	\$ 3,930,300	\$ -	\$ 3,930,300
Equities	<u>7,139,785</u>	<u>-</u>	<u>-</u>	<u>7,139,785</u>
Total investments at fair value	<u>\$ 7,139,785</u>	<u>\$ 3,930,300</u>	<u>\$ -</u>	<u>\$ 11,070,085</u>
	2022			
	Level 1	Level 2	Level 3	Total
Fixed income	\$ -	\$ 3,666,671	\$ -	\$ 3,666,671
Equities	<u>6,069,511</u>	<u>-</u>	<u>-</u>	<u>6,069,511</u>
Total investments at fair value	<u>\$ 6,069,511</u>	<u>\$ 3,666,671</u>	<u>\$ -</u>	<u>\$ 9,736,182</u>

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
(a component unit of North Shore Community College)

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 6 - **Net Assets**

Net assets with donor restrictions consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Scholarships and grants (for purpose)	\$ 9,225,061	\$ 6,972,047
Endowment (for perpetuity)	<u>3,428,723</u>	<u>2,894,874</u>
	<u>\$ 12,653,784</u>	<u>\$ 9,866,921</u>

*Net Assets Released from Restrictions*

Net assets with donor restrictions that were released from restriction by incurring expenses satisfying the purpose specified by the donors for the years ended June 30, 2023 and 2022 were \$854,396 and \$689,417, respectively.

Note 7 - **Endowment**

Changes to the endowment for the years ended June 30, 2023 and 2022 are as follows:

<b>June 30, 2021</b>	<b>\$ 3,313,878</b>
Investment return	262,443
Contributions	<u>164,968</u>
<b>June 30, 2022</b>	<b>3,741,289</b>
Investment return	103,287
Contributions	<u>533,849</u>
<b>June 30, 2023</b>	<b><u>\$ 4,378,425</u></b>

**NORTH SHORE COMMUNITY COLLEGE  
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**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 8 - **Related Party Transaction**

The Foundation has two members of its Board of Directors who are associated with two banks that conduct business with the Foundation. During the years ended June 30, 2023 and 2022, the Foundation had its cash and investment accounts with these banks. The two members abstain from voting on any business matters relating to the banks.

Note 9 - **Contributed Nonfinancial Assets**

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
College Employees	\$ 128,076	\$ 123,168
Advertising	<u>14,450</u>	<u>37,074</u>
	<u>\$ 142,526</u>	<u>\$ 160,242</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Leased employees represent the fair value of services provided by employees of the College to the Foundation for which the Foundation is not charged. The fair value of these services is determined by the cost incurred to the College. Advertising represents the fair market value of services provided by a communications company. The fair value of these services is determined by costs incurred to the communications company.

Note 10 - **Concentrations, Risks, and Uncertainties**

Cash

The Foundation maintains cash balances at financial institutions, which throughout the year, exceed the federal incurred limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations, and cash flows.

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
**(a component unit of North Shore Community College)**

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 10 - **Concentrations, Risks, and Uncertainties - Continued**

*Investments*

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. The Foundation's holdings of fixed income and equities are held in a brokerage account with a national brokerage firm. These accounts are protected by the Securities Investor Protection Corporation ("SIPC"). In the event of broker-dealer failure, up to \$500,000 in these accounts will be protected from loss. The SIPC insurance does not protect against market losses on investments. The Foundation's investments in common pooled funds are not covered under SIPC insurance.

*Concentrations*

Contributions from five and three donors represent 89% and 74% of contribution revenue for the years ended June 30, 2023 and 2022, respectively.

*Uncertainties*

The Foundation is highly dependent on donor contributions and fundraising efforts. Although management believes that it will have sufficient funds to meet its operating expenses for the remainder of the fiscal year between funds already available and promised grants, there is no guarantee that their grants and fundraising activities will continue into future years.

Note 11 - **Availability and Liquidity**

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and equivalents, and marketable securities. Management also expects that the pledge receivables will be collected and the funds will be used to meet general expenses of the Foundation during the following year.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing financial support to the College through scholarships, and grants, and fundraising efforts, to be general expenditures.

**NORTH SHORE COMMUNITY COLLEGE  
FOUNDATION, INC.**  
(a component unit of North Shore Community College)

**Notes to the Financial Statements - Continued**

**June 30, 2023 and 2022**

Note 11 - **Availability and Liquidity - Continued**

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. At June 30, 2023 and 2022, management believes the Foundation has no liquidity issues.

The following represents the Foundation's assets available to meet general expenditures within one year at June 30,:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and equivalents	\$ 2,056,691	\$ 1,141,821
Current portion of pledges receivable	<u>274,050</u>	<u>10,700</u>
Total financial assets	<u>\$ 2,330,741</u>	<u>\$ 1,152,521</u>

Note 12 - **Subsequent Events**

Management has evaluated subsequent events through September 12, 2023, the date for which the financial statements were available for issuance. Management did not identify any events subsequent to June 30, 2023 requiring disclosure in the financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT*  
*AUDITING STANDARDS***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
North Shore Community College Foundation, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Shore Community College Foundation, Inc. ("the Foundation"), a component unit of North Shore Community College, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated September 12, 2023.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Withum Smith & Brown, PC*

September 12, 2023