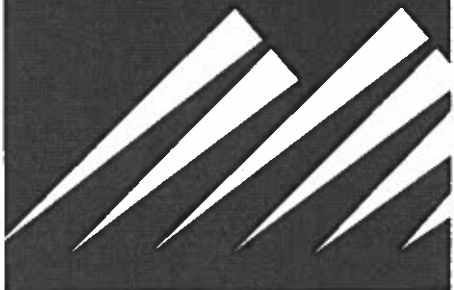


FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT

**FLATHEAD VALLEY  
COMMUNITY COLLEGE  
FOUNDATION**

DECEMBER 31, 2020 AND 2019



**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1 - 2</b>
 <b>FINANCIAL STATEMENTS</b>	
<b>Statements of Financial Position .....</b>	<b>3</b>
<b>Statements of Activities .....</b>	<b>4 - 5</b>
<b>Statements of Functional Expenses .....</b>	<b>6 - 7</b>
<b>Statements of Cash Flows.....</b>	<b>8</b>
<b>Notes to Financial Statements .....</b>	<b>9 - 18</b>



ACCOUNTING  
AUDIT  
TAX  
EMPLOYEE BENEFITS  
SPECIALIZED SERVICES

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Flathead Valley Community College Foundation  
Kalispell, Montana

### **Opinion**

We have audited the accompanying financial statements of Flathead Valley Community College Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 Flathead Valley Community College Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Flathead Valley Community College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Flathead Valley Community College Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



### **Auditors' 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 auditors' 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, including omissions, 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 Flathead Valley Community College 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 Flathead Valley Community College 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.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Kalispell, Montana  
May 3, 2021

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 196,361	\$ 1,451,765
Investments	19,891,908	21,309,814
Pledges receivable	2,824,676	4,647,437
Other current assets	<u>42,268</u>	<u>44,361</u>
	22,955,213	27,453,377
 <b>PROPERTY AND EQUIPMENT, NET</b>	 <u>196,918</u>	 <u>196,918</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 23,152,131</u></u>	 <u><u>\$ 27,650,295</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other liabilities	\$ 2,463,430	\$ 352,971
Foundation scholarships payable	559,535	725,091
Other scholarships payable	234,133	272,582
Deferred revenue	<u>-</u>	<u>40,000</u>
	3,257,098	1,390,644
 <b>LONG-TERM LIABILITIES</b>		
Deferred gift liability	<u>39,472</u>	<u>39,659</u>
 <b>TOTAL LIABILITIES</b>	 <u>3,296,570</u>	 <u>1,430,303</u>
 <b>NET ASSETS</b>		
Without donor restrictions	-	109,106
Without donor restrictions - board designated	507,811	626,922
With donor restrictions	<u>19,347,750</u>	<u>25,483,964</u>
 <b>TOTAL NET ASSETS</b>	 <u>19,855,561</u>	 <u>26,219,992</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 23,152,131</u></u>	 <u><u>\$ 27,650,295</u></u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Pledges and other public support	\$ 212,810	\$ 1,234,508	\$ 1,447,318
In-kind donations	37,215	184,563	221,778
Change in value of split-interest agreements	-	(6,095)	(6,095)
Net realized and unrealized investment gains (losses)	6,902	1,536,404	1,543,306
Investment income, net of expenses	24,831	300,857	325,688
Net assets released from restriction	<u>9,386,451</u>	<u>(9,386,451)</u>	<u>-</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>9,668,209</u>	<u>(6,136,214)</u>	<u>3,531,995</u>
<b>ALLOCATIONS AND EXPENSES</b>			
Program services	9,566,549	-	9,566,549
Management and general	88,273	-	88,273
Fundraising	<u>241,604</u>	<u>-</u>	<u>241,604</u>
<b>TOTAL EXPENSES</b>	<u>9,896,426</u>	<u>-</u>	<u>9,896,426</u>
<b>CHANGE IN NET ASSETS</b>	(228,217)	(6,136,214)	(6,364,431)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>736,028</u>	<u>25,483,964</u>	<u>26,219,992</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 507,811</u>	<u>\$ 19,347,750</u>	<u>\$ 19,855,561</u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Pledges and other public support	\$ 287,811	\$ 2,710,777	\$ 2,998,588
In-kind donations	95,072	335,582	430,654
Change in value of split-interest agreements	-	(7,353)	(7,353)
Net realized and unrealized investment gains (losses)	10,652	1,753,488	1,764,140
Investment income, net of expenses	82,292	307,291	389,583
Net assets released from restriction	<u>1,551,921</u>	<u>(1,551,921)</u>	<u>-</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>2,027,748</u>	<u>3,547,864</u>	<u>5,575,612</u>
<b>ALLOCATIONS AND EXPENSES</b>			
Program services	1,712,992	-	1,712,992
Management and general	97,526	-	97,526
Fundraising	<u>478,141</u>	<u>-</u>	<u>478,141</u>
<b>TOTAL EXPENSES</b>	<u>2,288,659</u>	<u>-</u>	<u>2,288,659</u>
<b>CHANGE IN NET ASSETS</b>	(260,911)	3,547,864	3,286,953
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>996,939</u>	<u>21,936,100</u>	<u>22,933,039</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 736,028</u>	<u>\$ 25,483,964</u>	<u>\$ 26,219,992</u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarship awards	\$ 669,085	\$ -	\$ -	\$ 669,085
Program disbursements	8,833,182	-	-	8,833,182
Salaries and benefits	38,269	65,010	32,874	136,153
Fundraising events	-	-	121,686	121,686
Office expense	-	-	9,143	9,143
Supplies	21,509	-	39,945	61,454
Advertising	627	-	11,907	12,534
Professional fees	-	19,523	26,049	45,572
Insurance	3,877	-	-	3,877
Bank and credit card fees	<u>-</u>	<u>3,740</u>	<u>-</u>	<u>3,740</u>
	<u>\$ 9,566,549</u>	<u>\$ 88,273</u>	<u>\$ 241,604</u>	<u>\$ 9,896,426</u>



**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarship awards	\$ 852,459	\$ -	\$ -	\$ 852,459
Program disbursements	762,259	-	-	762,259
Salaries and benefits	43,162	77,524	113,897	234,583
Fundraising events	-	-	239,577	239,577
Office expense	-	-	12,087	12,087
Supplies	43,941	-	81,606	125,547
Advertising	1,008	-	19,142	20,150
Professional fees	-	16,722	10,139	26,861
Insurance	3,393	-	-	3,393
Travel	6,770	-	1,693	8,463
Bank and credit card fees	<u>-</u>	<u>3,280</u>	<u>-</u>	<u>3,280</u>
	<u>\$ 1,712,992</u>	<u>\$ 97,526</u>	<u>\$ 478,141</u>	<u>\$ 2,288,659</u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (6,364,431)	\$ 3,286,953
Adjustments to reconcile change in net assets to net cash from operating activities:		
(Gain) loss on investments	(1,543,306)	(1,764,140)
(Increase) decrease:		
Pledges receivable	1,822,761	3,949,531
Other current assets	2,093	(3,548)
Increase (decrease):		
Accounts payable and other liabilities	2,110,459	(4,885,639)
Foundation scholarships payable	(165,556)	90,639
Other scholarships payable	(38,449)	41,705
Deferred revenue	(40,000)	40,000
Deferred gift liability	<u>(187)</u>	<u>(2,223)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>(4,216,616)</u>	<u>753,278</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	9,956,305	6,909,676
Purchase of investments	<u>(6,995,093)</u>	<u>(6,725,810)</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>2,961,212</u>	<u>183,866</u>
<b>NET CHANGE IN CASH</b>	(1,255,404)	937,144
<b>CASH - BEGINNING OF YEAR</b>	<u>1,451,765</u>	<u>514,621</u>
<b>CASH - END OF YEAR</b>	<u>\$ 196,361</u>	<u>\$ 1,451,765</u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Flathead Valley Community College Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Flathead Valley Community College Foundation assists the Flathead Valley Community College in achieving its mission to provide affordable and accessible comprehensive, quality, student-centered academic preparation and innovative vocational training programs. The mission of the Foundation is to assist the College with fundraising and to promote community awareness of campus needs to increase the flow of resources to support excellence in education. The primary sources of revenue for the Foundation are from contributions and investment income.

**Basis of Accounting**

The Foundation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; whereby revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

**Advertising**

The Foundation uses advertising to promote its fundraisers. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019, was \$12,534 and \$20,150, respectively.

**Cash and Cash Equivalents**

For financial statement purposes, the Foundation considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Classification of Net Assets**

*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 primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

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

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

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**In-Kind Donations**

The Foundation seeks and receives the volunteer efforts of many members of the community in attaining its goals. Only services for which the donor has specialized skills and would ordinarily receive compensation are considered donations in-kind. All donated goods are considered gifts in-kind and are valued at their fair market value at the time of donation. The value of donated services are determined by the donors as the usual fees they would receive for such services in the normal course of their business.

Donors are provided receipts showing estimated fair market value for their in-kind donations; these values are established by the donors. Donated goods and services are recorded in the financial statements as revenue without donor restrictions and as a corresponding functional expense or capitalized assets.

**Investments**

The investments are carried at fair value, and unrecognized gains and losses are reflected in the statement of activities. All gains and investment income are allocated to either with or without donor restricted net assets based on the nature of the restrictions, if any, on the invested assets. Investment income earned from restricted net assets that is used to pay scholarships within the same reporting period is accounted for as without donor restrictions.

**Pledges Receivable**

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance, if applicable, based on its assessment of the current status of individual accounts. As of December 31, 2020 and 2019, no valuation allowance has been established as management does not anticipate any material loss with respect to the remaining balance of pledges receivable.

**Property and Equipment**

Property and equipment in excess of \$5,000 are recorded at cost when purchased or at fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, ranging from five to seven years. Property and equipment consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Mineral rights	\$ 150,000	\$ 150,000
Artwork	<u>46,918</u>	<u>46,918</u>
Total assets	196,918	196,918
Less: Accumulated depreciation	<u>-</u>	<u>-</u>
Net property and equipment	<u><u>\$ 196,918</u></u>	<u><u>\$ 196,918</u></u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

Contributions, including unconditional promises to give, are recognized as either with donor restrictions or without donor restrictions in accordance with donor stipulations. Unconditional promises to give with payments due in future periods are recognized as revenue with donor restrictions. Restricted contributions whose restrictions are met within the same reporting period are accounted for as support without donor restrictions. Unconditional and conditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Donors include individuals and businesses who principally reside in Flathead County.

**Assets Held under Split-Interest Agreements**

Charitable gift annuity agreements require periodic payment of either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate either at a specific time or upon the death of the designated individual. A liability for each gift annuity, where the Foundation is a trustee, is established and calculated as the present value of future payments to be made to the designated beneficiaries. Upon termination, the remaining assets of the annuity are then available for use by the Foundation to be used in accordance with the donor's intent. The Foundation uses an actuarial approach to determine both the contribution and liability amounts to be recognized. Gift annuities in the amount of \$2,327 were entered into by the Foundation during the year ended December 31, 2020, and \$2,086 in 2019. The discount rate was 0.6% and 2.0% for the Foundation's entire portfolio of gift annuities as of December 31, 2020 and 2019, respectively.

**Income Tax Status**

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's tax returns are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

**Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Supplies	Historical usage
Advertising	Historical usage
Travel	Historical usage

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

**NOTE 2 -- INVESTMENTS**

The Foundation invests primarily in certificates of deposit, government bonds and agencies, corporate bonds and bond funds, and equity securities and mutual funds. At December 31, 2020 and 2019, investments are comprised of the following:

	2020		2019	
	Amortized Cost	FMV	Amortized Cost	FMV
Cash and cash equivalents	\$ 4,283,484	\$ 4,283,484	\$ 4,623,910	\$ 4,623,910
Certificates of deposit	-	-	3,000,000	3,000,000
Government bonds and agencies	1,419,843	1,514,035	1,658,589	1,693,312
Corporate bonds and bond funds	3,290,299	3,397,766	3,424,122	3,531,326
Equity securities and mutual funds	8,112,659	10,696,623	6,779,396	8,461,266
	<u>\$ 17,106,285</u>	<u>\$ 19,891,908</u>	<u>\$ 19,486,017</u>	<u>\$ 21,309,814</u>

**NOTE 3 -- FAIR VALUE MEASUREMENTS**

The Foundation follows FASB ASC 820, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 3 -- FAIR VALUE MEASUREMENTS (CONTINUED)**

FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels are defined as follows:

Level 1 - observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities itemized below were measured at fair value during the years ended using the market and income approaches. The market approach was used for Level 1 and Level 2. The income approach was used for Level 3.

Fair Value Measurements Using:				
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020:				
Investments	\$ 19,891,908	\$ 19,891,908	\$ -	\$ -
Pledges receivable	2,824,676	-	-	2,824,676
Deferred gift liability	39,472	-	39,472	-
	<u>\$ 22,756,056</u>	<u>\$ 19,891,908</u>	<u>\$ 39,472</u>	<u>\$ 2,824,676</u>
Fair Value Measurements Using:				
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019:				
Investments	\$ 21,309,814	\$ 21,309,814	\$ -	\$ -
Pledges receivable	4,647,437	-	-	4,647,437
Deferred gift liability	39,659	-	39,659	-
	<u>\$ 25,996,910</u>	<u>\$ 21,309,814</u>	<u>\$ 39,659</u>	<u>\$ 4,647,437</u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 3 -- FAIR VALUE MEASUREMENTS (CONTINUED)**

The table below presents a reconciliation of assets measured at fair value on a recurring basis using Level 3 inputs:

	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 4,647,437	\$ 8,596,968
Pledge payments received	(2,359,751)	(5,575,718)
New pledges made by donors	469,472	1,489,444
Pledges written off	(7,041)	(2,855)
Change in discount on pledges receivable	<u>74,559</u>	<u>139,598</u>
	<u>\$ 2,824,676</u>	<u>\$ 4,647,437</u>

**NOTE 4 -- PLEDGES RECEIVABLE**

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Foundation. Pledges which will not be received in subsequent years have been discounted by zero and \$74,559 using an average discount rate of 0.0% and 1.7% for the years ended December 31, 2020 and 2019, respectively. The Foundation estimates the allowance for uncollectible pledges at December 31, 2020 and 2019, was zero. Total unconditional promises to give were as follows:

	<u>2020</u>	<u>2019</u>
In one year or less	\$ 1,520,536	\$ 1,141,603
Between one year and five years	1,237,465	3,491,199
Between five years and ten years	<u>66,675</u>	<u>89,194</u>
Total	<u>\$ 2,824,676</u>	<u>\$ 4,721,996</u>

During 2017, the Foundation Board pledged \$1,000,000 for the new FVCC ONE Campaign, which will be payable over five years at \$200,000 a year from unrestricted cash and endowed earnings. \$200,000 was paid during 2020 and 2019, which leaves a remaining balance of \$600,000. Since this pledge is not an unconditional promise to give from an outside party, it is not included in the balance of pledges receivable.



**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 5 -- ENDOWMENT**

The Board has established an endowment for the purpose of funding scholarships for students attending Flathead Valley Community College. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the following as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any 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 perpetual is classified as temporary in nature until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes 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.

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

NOTE 5 -- ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the year ended December 31, 2020:

	<u>Board Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>435,658</u>	\$ <u>13,574,513</u>	\$ <u>14,010,171</u>
Investment return:			
Investment income	-	370,642	370,642
Investment management fees	-	(75,205)	(75,205)
Net appreciation (depreciation) (realized and unrealized)	<u>-</u>	<u>1,569,849</u>	<u>1,569,849</u>
Total investment return	-	1,865,286	1,865,286
Contributions	22,672	603,233	625,905
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(658,386)</u>	<u>(658,386)</u>
Endowment net assets, end of year	\$ <u><u>458,330</u></u>	\$ <u><u>15,384,646</u></u>	\$ <u><u>15,842,976</u></u>

Changes in Endowment Net Assets for the year ended December 31, 2019:

	<u>Board Restricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>379,112</u>	\$ <u>11,603,196</u>	\$ <u>11,982,308</u>
Investment return:			
Investment income	-	381,765	381,765
Investment management fees	-	(73,452)	(73,452)
Net appreciation (depreciation) (realized and unrealized)	<u>-</u>	<u>1,724,192</u>	<u>1,724,192</u>
Total investment return	-	2,032,505	2,032,505
Contributions	56,546	654,097	710,643
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(715,285)</u>	<u>(715,285)</u>
Endowment net assets, end of year	\$ <u><u>435,658</u></u>	\$ <u><u>13,574,513</u></u>	\$ <u><u>14,010,171</u></u>

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 5 -- ENDOWMENT (CONTINUED)**

The portion of the endowment whereby the donor has stipulated that the funds be maintained in perpetuity at December 31, 2020 and 2019, was \$9,492,487 and \$9,232,953, respectively. There were \$5,892,159 and \$4,341,560 in endowment funds with donor restrictions that are temporary in nature at December 31, 2020 and 2019, respectively.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

**NOTE 6 -- NET ASSETS**

Net assets with donor restrictions were as follows for the years ended December 31:

	2020	2019
Not subject to appropriation or expenditure:		
Endowed scholarship funds	\$ 9,492,487	\$ 9,232,953
Subject to expenditure for specified purpose:		
Buildings	2,449,800	5,321,853
Scholarships and programs	7,405,463	10,929,158
	9,855,263	16,251,011
Net assets with donor restrictions	\$ 19,347,750	\$ 25,483,964

Net assets without donor restrictions were as follows for the years ended December 31:

	2020	2019
Undesignated	\$ -	\$ 109,106
Board designated for ONE Campaign pledge	209,159	168,456
Board designated for other projects	298,652	458,466
	\$ 507,811	\$ 736,028

**FLATHEAD VALLEY COMMUNITY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

**NOTE 7 -- AVAILABILITY AND LIQUIDITY**

The following represents the Foundation's financial assets at December 31:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 196,361	\$ 1,451,765
Investments	19,891,908	21,309,814
Pledges receivable	2,824,676	4,647,437
Total financial assets	22,912,945	27,409,016
Less amounts not available for use within one year:		
Net assets with donor restrictions	19,347,750	25,483,964
Net assets designated by the Board	507,811	626,922
	19,855,561	26,110,886
Financial assets available to meet general expenditures over the next twelve months	\$ 3,057,384	\$ 1,298,130

The Foundation's goal is to maintain an average of six months of operating expenses in reserves. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. If these amounts are insufficient to meet cash flow needs, the board has the ability to apply for a line of credit and/or reduce expenditures.

**NOTE 8 -- SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 3, 2021, the date on which the financial statements were available to be issued.