

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
(A Not-for-Profit Organization)

FINANCIAL STATEMENTS

Year Ended June 30, 2020

KENNETH KUHNS & CO.

Certified Public Accountants
570 Liberty Street S.E., Suite 210
Salem, Oregon 97301-3594

Telephone: (503) 585-2550

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 to 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 to 15

INDEPENDENT AUDITOR'S REPORT

December 31, 2020

Board of Trustees
Klamath Community College Foundation, Inc.
Klamath Falls, Oregon

We have audited the accompanying financial statements of Klamath Community College Foundation, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Klamath Community College Foundation, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.

FINANCIAL STATEMENTS

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020

Assets

Cash and cash equivalents	\$ 860,553
Investments	141,911
Grants receivable	<u>7,500</u>
Total assets	<u>\$ 1,009,964</u>

Liabilities and Net Assets

Liabilities:	
Due to Klamath Community College	<u>\$ 191,069</u>
Net assets:	
Without donor restrictions	18,802
With donor restrictions	<u>800,093</u>
Total net assets	<u>818,895</u>
Total liabilities and net assets	<u>\$ 1,009,964</u>

The accompanying notes are an integral part of this statement.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions of cash	\$ 2,643	\$ 106,279	\$ 108,922
Grants	-	134,415	134,415
Program income	-	2,325	2,325
Sponsorships	-	7,280	7,280
Donated services	133,747	-	133,747
Investment earnings	57	5,070	5,127
Net realized gains on investments	-	135	135
Special events	39,140	-	39,140
Donation fees	5,277	(5,277)	-
Net assets released from restrictions	166,603	(166,603)	-
	347,467	83,624	431,091
Expenses and losses:			
Program services:			
Scholarships	86,563	-	86,563
Transfers to KCC for capital construction	42,284	-	42,284
Program support	22,062	-	22,062
Student travel and support	20,440	-	20,440
Special events	7,093	-	7,093
	178,442	-	178,442
Supporting services:			
General administration	29,282	-	29,282
Donated services	133,747	-	133,747
	163,029	-	163,029
Net unrealized losses on investments	-	3,131	3,131
	341,471	3,131	344,602
Change in net assets	5,996	80,493	86,489
Net assets, beginning of year	12,806	719,600	732,406
Net assets, end of year	\$ 18,802	\$ 800,093	\$ 818,895

The accompanying notes are an integral part of this statement.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Totals</u>
Scholarships	\$ 86,563	\$ -	\$ 86,563
Transfer to KCC for capital construction	42,284	-	42,284
Program support	22,062	-	22,062
Student travel and support	20,440	-	20,440
Special events	7,093	-	7,093
Salaries and wages	-	95,787	95,787
Taxes and benefits	-	36,357	36,357
Supplies	-	1,040	1,040
Postage	-	83	83
Marketing	-	5,486	5,486
Contracted services	-	5,470	5,470
Travel	-	1,987	1,987
Training	-	149	149
Subscriptions, dues and memberships	-	874	874
Insurance	-	2,218	2,218
Office and facilities rental	-	8,450	8,450
Furniture and equipment	-	1,406	1,406
Other fees and charges	-	3,722	3,722
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 178,442</u>	<u>\$ 163,029</u>	<u>\$ 341,471</u>

The accompanying notes are an integral part of this statement.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

Cash flows from operating activities:	
Revenues collected:	
Public support	\$ 311,577
Investment earnings	5,127
Other cash receipts	9,605
Expenses paid:	
Program and supporting services	<u>(237,509)</u>
Net cash provided by operating activities	<u>88,800</u>
Cash flows from investing activities:	
Purchase of investments	(17,345)
Proceeds from sale of investments	<u>14,698</u>
Net cash used in investing activities	<u>(2,647)</u>
Net increase in cash and cash equivalents	86,153
Cash and cash equivalents, beginning of year	<u>774,400</u>
Cash and cash equivalents, end of year	<u><u>\$ 860,553</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	<u>\$ 86,489</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donated services revenues	(133,747)
Donated services expenses	133,747
Net realized gains on investments	(135)
Net unrealized losses on investments	3,131
Decrease in grants receivable	30,100
Decrease in due to Klamath Community College	(29,785)
Decrease in deferred revenue	<u>(1,000)</u>
Total adjustments	<u>2,311</u>
Net cash provided by operating activities	<u><u>\$ 88,800</u></u>

The accompanying notes are an integral part of this statement.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Klamath Community College Foundation, Inc. (the Foundation) is an Oregon not-for-profit organization incorporated on May 21, 1997 under the laws of the State of Oregon. The Foundation operates for the limited purpose of financially and otherwise supporting the mission of Klamath Community College District, a political subdivision of the State of Oregon. The Foundation is governed by a Board of Trustees.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Basis of Financial Statement Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) in FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to the following net assets classifications:

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.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors. 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.

Policy for Endowed Funds

The accounting procedure for endowed funds conforms to the Foundation's policy for endowed funds. Endowment gifts (corpus) are recorded as donor-restricted funds to be maintained in perpetuity and investment earnings are recorded as funds which are temporarily restricted.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Policy/Spending Policy

The investment policy of the Foundation is to provide for safety of principal through diversification in a portfolio of investments which may reflect varying rates of return. In addition, it is the intention of the Trustees to grow the corpus of the Foundation in real, inflation-adjusted terms after required spending and expenses of the Foundation. The assets of the Foundation will be managed for “total return” which includes both income received as well as capital appreciation. The overall rate of return objective for the portfolio is a reasonable inflation-adjusted rate consistent with the risk levels established by the Trustees and consistent with the objective of achieving real growth in Foundation assets.

The Foundation’s investment objectives are as follows:

- The investments should achieve a return in excess of “market.” The minimum average annual return objective for the Foundation portfolio is the Consumer Price Index plus 5.0%.
- The investments should experience no more risk (as defined by volatility and variability of return) than 115% of the “market.”
- The investments should provide sufficient income and cash flow to meet requirements of distribution.

The Foundation follows a spending policy which states that the Foundation is responsible for distributing funds as directed by donors, and for managing funds so that the endowment accounts are preserved and increased to a level that retains their purchasing power. The Foundation’s endowments generally provide that earnings only shall be available for academic scholarships. To that end, the following guidelines were established by the Foundation Board of Trustees:

- The Foundation Board shall have the authority to spend available funds based on the balance available for distribution based on terms of gift instrument or endowment policy.
- Board approval is required for appropriation of available funds.
- The Foundation Board shall work with the Financial Aid Office and Scholarship Committee to distribute scholarship awards according to guidelines set by individual donors.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd)

Investment Policy/Spending Policy (Contd)

- The Foundation Board shall have the authority to spend five percent, inclusive of administrative fees, of the total principal, interest, and other earned income, of endowed scholarship funds each year based on December 31 account figures.
- Distributions from a permanently endowed fund whose market value is less than the historical gift value will be suspended until such time the market value exceeds the historical gift value.
- The Foundation Board may appropriate (based on ORS 128.322) for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. ORS 128.322 is within Oregon Revised Statutes 128.305 to 128.336 cited as the Uniform Prudent Management of Institutional Funds Act which establishes requirements for the management and expenditure of endowment funds.

The Foundation's spending policy also provides that an annual administrative fee of 1% of the fund will be assessed on all endowed accounts based on their fund balance as of June 30 of each year, unless otherwise waived by the Foundation.

Beginning January 1, 2018 the Foundation adopted additional fees on new cash or cash equivalent donations where 2% will be transferred to the Foundation's General Fund for administrative purposes, and 2% will be transferred to the Foundation's KCC Endowment Fund.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in checking accounts and a certificate of deposit account.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are reflected in the statement of activities. Investment income and gains restricted by a donor are reported as increases in donor-restricted net assets until the restrictions are met (either by the passage of time or by use).

Contributions

Contributions received are recorded as unrestricted or donor-restricted support depending on the existence and/or nature of any donor restrictions. Promises to give which are, in substance, unconditional are recorded as unrestricted or donor-restricted support at the time the promise is made.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd)

Contributions (Contd)

All donor-restricted support is reported as an increase in donor-restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

The Foundation receives donated services from the College in the form of management and administrative personnel support. Revenues and expenses for these services are reflected in the statement of activities based on compensation and fringe benefits paid to College personnel. The College also provides facilities for the operation and administration of the Foundation's activities. The estimated fair value for the use of these facilities is not reflected in the financial statements.

Donated Materials

The Foundation receives donated materials which are then donated to the College for use in the College's instructional programs. These donations are recorded at their estimated fair value, and are reflected as revenues and expenses in the statement of activities.

Deferred Revenue

Revenue that has been raised for future fund raising events is deferred and recognized in the period to which it relates.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from Oregon excise taxes under applicable state law. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Foundation's tax exempt status can be revoked by the Internal Revenue Service as a result of direct violations of laws and regulations governing 501(c)(3) organizations. It is the Foundation's policy, therefore, to maintain strict adherence to these laws and regulations in order to maintain its tax-exempt status and to engage only in activities related to their exempt purpose.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Contd)

Income Taxes (Contd)

Income from activities not directly related to performance of the Foundation's tax-exempt purposes could be subject to taxation as unrelated business income. The Foundation has evaluated each of its sources of income and believes that none of them meet the Internal Revenue Service definition of unrelated business income; therefore, no entries have been made in these financial statements to recognize potential income tax liability. The Foundation's tax returns for years prior to the year ended June 30, 2017 are generally no longer subject to examination by taxing authorities.

2. AVAILABILITY AND LIQUIDITY

Financial assets at June 30, 2020 available to meet general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 860,553
Investments	141,911
Grants receivable	<u>7,500</u>
Total financial assets	<u>1,009,964</u>
Less donor-restricted amounts not available	
for general expenditures within one year:	
Endowment funds restricted in perpetuity	286,793
Endowment accounts restricted for scholarships	24,647
Non-endowment accounts restricted for scholarships	112,691
Non-endowment accounts restricted for capital campaign	230,008
Non-endowment accounts restricted for building fund	8,291
Non-endowment accounts restricted for other program activities	<u>137,663</u>
Total donor-restricted amounts	<u>800,093</u>
Financial assets available to meet general expenditures	
over the next year	<u><u>\$ 209,871</u></u>

Endowment funds consist of donor-restricted endowments. Donor-restricted endowment funds received are restricted in perpetuity and are not available for general expenditures. Investment earnings from donor-restricted endowments are restricted for specific purposes, primarily scholarships and program activities.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

2. AVAILABILITY AND LIQUIDITY (Contd)

The Foundation follows a spending policy which states that the Foundation is responsible for distributing funds as directed by donors, and for managing funds so that the endowment accounts are preserved and increased to a level that retains their purchasing power. The Foundation's endowments generally provide that earnings only shall be available for academic scholarships. The Foundation Board shall have the authority to spend five percent, inclusive of administrative fees, of the total principal, interest, and other earned income, of endowed scholarship funds each year based on December 31 account figures. The Foundation's spending policy also provides that an annual administrative fee of 1% of the fund will be assessed on all endowed accounts based on their fund balance as of June 30 of each year, unless otherwise waived by the Foundation.

As part of its liquidity management plan, the Foundation invests cash in excess of daily requirements in readily available money market funds and certificates of deposit.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2020:

Cash on hand	\$ 105
Deposits with financial institutions	<u>860,448</u>
Total cash and cash equivalents	<u><u>\$ 860,553</u></u>

The Foundation maintains checking accounts, certificates of deposit accounts and money market accounts at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The balance in these accounts per the banks' records at June 30, 2020 was \$860,448. Of this amount, \$352,810 was insured by FDIC coverage.

4. INVESTMENTS

Investments are stated at fair value and consist of investments totaling \$141,911 in equity and debt mutual funds and exchange-traded funds at June 30, 2020.

The following summary summarizes the investment return and its classification in the statement of activities. Investment earnings include revenues from the Foundation's checking account, money market accounts, equity and debt mutual funds and exchange-traded funds.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

4. INVESTMENTS (Contd)

	Without Donor Restrictions	With Donor Restrictions	Total
Realized investment earnings	\$ 57	\$ 5,070	\$ 5,127
Net realized gains on investments	-	135	135
Net unrealized losses on investments	-	(3,131)	(3,131)
Net	\$ 57	\$ 2,074	\$ 2,131

The Foundation's investments are in thirteen equity and debt mutual funds and five exchange-traded funds. The Foundation's investments are subject to market fluctuations which could dramatically affect the fair value of these assets. The Foundation's investments are held by third-party custodians and are subject to custodial risk.

5. NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purposes:

Endowment accounts:

Restricted for scholarships \$ 24,647

Non-endowment accounts:

Restricted for scholarships 112,691

Restricted for capital campaign 230,008

Restricted for building fund 8,291

Restricted for other program activities 137,663

Sub-total 513,300

Endowment funds restricted in perpetuity 286,793

Total \$ 800,093

During the year ended June 30, 2020, \$166,603 was released from donor restrictions because purpose restrictions were satisfied.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

6. ENDOWMENT FUNDS

Endowment funds activity during the year ended June 30, 2020 was as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, July 1, 2019	\$ 19,017	\$ 286,793	\$ 305,810
Contributions	13,420	-	13,420
Realized investment earnings	3,240	-	3,240
Net realized losses on investments	(217)	-	(217)
Net unrealized losses on investments	(1,802)	-	(1,802)
Scholarships	(7,500)	-	(7,500)
Other expenses	(974)	-	(974)
Donation fees	(537)	-	(537)
	<u> </u>	<u> </u>	<u> </u>
Endowment funds, June 30, 2020	<u>\$ 24,647</u>	<u>\$ 286,793</u>	<u>\$ 311,440</u>

7. FAIR VALUE MEASUREMENTS

The Foundation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. In accordance with FASB ASC 820, the fair value of a financial instrument is the price that would be received to sell an asset or paid to satisfy a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a framework for measuring fair value and a three level hierarchy for fair value measurements based upon observable and unobservable input valuation techniques. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect significant market assumptions including those made by the reporting entity. The three level hierarchy is summarized as follows:

Level 1 - Quoted prices in active markets for identical securities

Level 2 - Other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)

Level 3 - Significant unobservable inputs (including the reporting entity's own assumptions in determining the fair value of investments)

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

KLAMATH COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020

7. FAIR VALUE MEASUREMENTS (Contd)

The Foundation's investments at June 30, 2020 consist of \$141,911 in equity and debt mutual funds and exchange-traded funds. The Foundation's investments in equity and debt mutual funds and exchange-traded funds are reported at fair value using quoted market prices in active markets for identical securities. This measurement is a Level 1 input which is considered to be the most objective standard for fair value measurement.

8. ACTIVITY BY FUND

Funds and Endowments	Beginning Net Assets	Additions	Investment			Ending Net Assets
			Scholarships/ Contributions	Earnings- (Losses)	Other Expenses	
General Fund	\$ 12,806	\$ 47,114	\$ -	\$ 57	\$ (41,175)	\$ 18,802
Building Funds	4,972	-	-	18	-	4,990
General Scholarships	117,547	67,468	(72,779)	737	(3,832)	109,141
TransCanada Scholarships	9,994	-	-	-	-	9,994
Erin Andrews Endowment	21,669	420	-	99	(17)	22,171
Susan K. Channell Scholarship Fund	11,707	10,000	-	54	(400)	21,361
Masami Foods Scholarship Fund	79,236	-	(3,500)	1,139	(772)	76,103
Ron and Myrtle Mason Scholarship Fund	13,448	-	(1,000)	(153)	(202)	12,093
Soroptimist Scholarship Fund	30,341	3,000	(3,000)	82	(120)	30,303
Capital Campaign - WTSC	19,838	14,607	-	-	(42,868)	(8,423)
Capital Campaign - AITC	219,074	20,110	-	53	(805)	238,432
KCC Endowment	15,591	3,609	-	45	(1)	19,244
Student Emergency Fund	4,114	59,007	(3,534)	-	(22,402)	37,185
GO KCC	-	6,300	(2,750)	-	-	3,550
HBLs Endowment	139,415	-	-	-	-	139,415
Cary	3,301	-	-	-	-	3,301
SBDC - Ford Foundation	13,196	18,902	-	-	(22,682)	9,416
SBDC - Foundation	3,279	5,975	-	-	(1,366)	7,888
SBDC - Klamath Idea	9,748	74,023	-	-	(23,495)	60,276
Program Development	1,024	240	-	-	(8)	1,256
Other Designated Funds	2,106	300	-	-	(9)	2,397
Total Designated Funds and Endowments	\$ 732,406	\$ 331,075	\$ (86,563)	\$ 2,131	\$ (160,154)	\$ 818,895

9. SUBSEQUENT EVENTS

The Foundation evaluated subsequent events for potential required disclosure through December 31, 2020, which is the date the financial statements were available to be issued.