

**MILWAUKEE AREA TECHNICAL
COLLEGE FOUNDATION, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milwaukee Area Technical College Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Milwaukee Area Technical College Foundation, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Milwaukee Area Technical College Foundation, Inc. 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Milwaukee Area Technical College Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Milwaukee Area Technical College Foundation, Inc.'s ability to continue as a going concern for 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 GAAS 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 GAAS, 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 Milwaukee Area Technical College Foundation, Inc.'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 Milwaukee Area Technical College Foundation, Inc.'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.

Prior Period Financial Statements

The financial statements of Milwaukee Area Technical College Foundation, Inc. as of and for the year ended June 30, 2022 were audited by other auditors whose report dated September 26, 2022 expressed an unmodified opinion on those statements.

Vivian A. Johnson LLC

Kenosha, Wisconsin
November 9, 2023

Milwaukee Area Technical College Foundation, Inc.

Statements of Financial Position

June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 700,338 | \$ 1,079,066 |
| Restricted cash | 650,152 | 429,184 |
| Investments | 35,775,306 | 30,221,726 |
| Promises to give, net | 1,331,813 | 1,532,807 |
| Accounts receivable | 17,213 | 40,967 |
| Prepaid expenses | 55,987 | 52,461 |
| TOTAL ASSETS | \$ 38,530,809 | \$ 33,356,211 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 475,980 | \$ 334,235 |
| NET ASSETS | | |
| Without donor restrictions | 1,614,801 | 1,024,843 |
| With donor restrictions | 36,440,028 | 31,997,133 |
| TOTAL NET ASSETS | 38,054,829 | 33,021,976 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 38,530,809 | \$ 33,356,211 |

The accompanying notes are an integral part of these statements.

Milwaukee Area Technical College Foundation, Inc.

Statement of Activities
For the Year Ended June 30, 2023

| | Without donor restrictions | With donor restrictions | Total |
|--|----------------------------------|----------------------------|---------------|
| REVENUE, SUPPORT AND GAINS | | | |
| Contributions of cash and other financial assets | \$ 294,448 | \$ 6,998,831 | \$ 7,293,279 |
| Milwaukee PBS restricted contributions of cash and other financial assets | - | 7,242,373 | 7,242,373 |
| Contributions of nonfinancial assets | 432,260 | - | 432,260 |
| Special events revenue, net of expenses of \$2,580 | - | 45,575 | 45,575 |
| Dividends and interest, net | 300,207 | 563,538 | 863,745 |
| Net realized and unrealized gains on investments | 348,859 | 1,751,726 | 2,100,585 |
| Investment income appropriated for | | | |
| Administrative endowment | 50,847 | (50,847) | - |
| Investment management fees | 9,173 | (9,173) | - |
| Net assets released from restrictions - other | 12,099,128 | (12,099,128) | - |
| | 13,534,922 | 4,442,895 | 17,977,817 |
| TOTAL REVENUES, SUPPORT AND GAINS | | | |
| EXPENSES | | | |
| Program services | | | |
| Program operating expenses | 4,863,111 | - | 4,863,111 |
| Milwaukee PBS program expenses | 7,118,896 | - | 7,118,896 |
| | 11,982,007 | - | 11,982,007 |
| Total program services | | | |
| Supporting services | | | |
| Management and general | 576,032 | - | 576,032 |
| Fundraising and development | 386,925 | - | 386,925 |
| | 962,957 | - | 962,957 |
| Total supporting services | | | |
| TOTAL EXPENSES | 12,944,964 | - | 12,944,964 |
| CHANGE IN NET ASSETS | 589,958 | 4,442,895 | 5,032,853 |
| NET ASSETS | | | |
| Beginning of year | 1,024,843 | 31,997,133 | 33,021,976 |
| End of year | \$ 1,614,801 | \$ 36,440,028 | \$ 38,054,829 |

The accompanying notes are an integral part of this statement.

Milwaukee Area Technical College Foundation, Inc.

Statement of Activities
For the Year Ended June 30, 2022

| | Without donor restrictions | With donor restrictions | Total |
|--|----------------------------------|----------------------------|----------------------|
| REVENUE, SUPPORT AND GAINS | | | |
| Contributions of cash and other financial assets | \$ 104,819 | \$ 9,950,052 | \$ 10,054,871 |
| Milwaukee PBS restricted contributions of cash and other financial assets | - | 6,945,733 | 6,945,733 |
| Contributions of nonfinancial assets | 561,437 | - | 561,437 |
| Special events revenue, net of expenses of \$0 | - | 28,838 | 28,838 |
| Dividends and interest, net | 254,265 | 624,372 | 878,637 |
| Net realized and unrealized losses on investments | (1,398,054) | (2,930,509) | (4,328,563) |
| Investment income appropriated for | | | |
| Administrative endowment | 44,204 | (44,204) | - |
| Investment management fees | 11,130 | (11,130) | - |
| Net assets released from restrictions - other | 9,077,156 | (9,077,156) | - |
| | 8,654,957 | 5,485,996 | 14,140,953 |
| EXPENSES | | | |
| Program services | | | |
| Program operating expenses | 2,907,284 | - | 2,907,284 |
| Milwaukee PBS program expenses | 6,344,067 | - | 6,344,067 |
| | 9,251,351 | - | 9,251,351 |
| Total program services | 9,251,351 | - | 9,251,351 |
| Supporting services | | | |
| Management and general | 383,779 | - | 383,779 |
| Fundraising and development | 293,539 | - | 293,539 |
| | 677,318 | - | 677,318 |
| Total supporting services | 677,318 | - | 677,318 |
| TOTAL EXPENSES | 9,928,669 | - | 9,928,669 |
| CHANGE IN NET ASSETS | (1,273,712) | 5,485,996 | 4,212,284 |
| NET ASSETS | | | |
| Beginning of year | 2,298,555 | 26,511,137 | 28,809,692 |
| End of year | \$ 1,024,843 | \$ 31,997,133 | \$ 33,021,976 |

The accompanying notes are an integral part of this statement.

Milwaukee Area Technical College Foundation, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2023

| | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising and development</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------------|--|-----------------------------|
| EXPENSES | | | | |
| Grants and other assistance | \$ 2,919,271 | \$ - | \$ - | \$ 2,919,271 |
| Program expenses | 1,797,171 | - | - | 1,797,171 |
| Salaries, wages and employee benefits | 120,290 | 207,396 | 264,875 | 592,561 |
| Milwaukee PBS expenses | 7,118,896 | - | - | 7,118,896 |
| Accounting fees | - | 111,904 | - | 111,904 |
| Information technology | - | 3,905 | 33,237 | 37,142 |
| Occupancy | 7,000 | 7,000 | 14,000 | 28,000 |
| Conferences, conventions and meetings | 1,560 | 3,950 | - | 5,510 |
| Bank fees | - | 49,779 | - | 49,779 |
| Insurance | - | 10,258 | - | 10,258 |
| Fundraising and development | - | - | 65,566 | 65,566 |
| Dues and subscriptions | - | 3,802 | - | 3,802 |
| Marketing and advertising | - | 4,654 | - | 4,654 |
| Administrative endowment expenses | - | 173,384 | - | 173,384 |
| Other | 17,819 | - | 9,247 | 27,066 |
| TOTAL EXPENSES | <u><u>\$ 11,982,007</u></u> | <u><u>\$ 576,032</u></u> | <u><u>\$ 386,925</u></u> | <u><u>\$ 12,944,964</u></u> |

The accompanying notes are an integral part of this statement.

Milwaukee Area Technical College Foundation, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2022

| | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising and development</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------------|--|---------------------|
| EXPENSES | | | | |
| Grants and other assistance | \$ 1,416,529 | \$ - | \$ - | \$ 1,416,529 |
| Program expenses | 1,311,838 | - | - | 1,311,838 |
| Salaries, wages and employee benefits | 105,628 | 198,011 | 217,649 | 521,288 |
| Milwaukee PBS expenses | 6,344,067 | - | - | 6,344,067 |
| Accounting fees | - | 96,499 | - | 96,499 |
| Information technology | - | 3,905 | 34,873 | 38,778 |
| Occupancy | 7,000 | 7,000 | 14,000 | 28,000 |
| Conferences, conventions and meetings | 883 | 4,086 | - | 4,969 |
| Bank fees | - | 5,228 | - | 5,228 |
| Insurance | - | 7,318 | - | 7,318 |
| Fundraising and development | - | - | 18,017 | 18,017 |
| Dues and subscriptions | 3,263 | 3,853 | - | 7,116 |
| Legal expenses | - | 231 | - | 231 |
| Marketing and advertising | - | 6,388 | - | 6,388 |
| Administrative endowment expenses | - | 44,204 | - | 44,204 |
| Other | 62,143 | 7,056 | 9,000 | 78,199 |
| TOTAL EXPENSES | <u>\$ 9,251,351</u> | <u>\$ 383,779</u> | <u>\$ 293,539</u> | <u>\$ 9,928,669</u> |

The accompanying notes are an integral part of this statement.

Milwaukee Area Technical College Foundation, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

| | 2023 | 2022 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 5,032,853 | \$ 4,212,284 |
| Add (deduct) | | |
| Net realized and unrealized (gain) loss on investments | (2,100,585) | 4,328,563 |
| Contributions restricted to endowment | (77,339) | (576,381) |
| Increase (decrease) in cash, cash equivalents and restricted cash due to changes in | | |
| Promises to give | 200,994 | 93,526 |
| Accounts receivable | 23,754 | (40,967) |
| Prepaid expenses | (3,526) | (43,219) |
| Accounts payable | 141,745 | (1,445,763) |
| | 3,217,896 | 6,528,043 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (10,211,509) | (14,516,353) |
| Proceeds from sale of investments | 6,758,514 | 5,646,434 |
| | (3,452,995) | (8,869,919) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Collections of contributions restricted to endowment | 77,339 | 576,381 |
| | 77,339 | 576,381 |
| NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | (157,760) | (1,765,495) |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | |
| Beginning of year | 1,508,250 | 3,273,745 |
| End of year | \$ 1,350,490 | \$ 1,508,250 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | |
| Cash and cash equivalents | \$ 700,338 | \$ 1,079,066 |
| Restricted cash | 650,152 | 429,184 |
| TOTAL | \$ 1,350,490 | \$ 1,508,250 |

The accompanying notes are an integral part of these statements.

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Milwaukee Area Technical College Foundation, Inc. (the Foundation) is a nonprofit organization organized and operated to secure community involvement with, including financial support of, Milwaukee Area Technical College (MATC). The specific purposes of the Foundation are to solicit, hold, manage, invest, and expend contributions, grants, and bequests (including endowment gifts) exclusively for the maintenance, support, and benefit of MATC.

Milwaukee PBS (MPBS) is a program of the Foundation operated by MATC and consists of two traditional television stations, WMVS and WMVT, which are licensed to MATC; four additional digital television services; a state-of-the-art production facility; the website MPBS.org; the monthly magazine Fine Tuning; and serves as the hands-on training facility for MATC students enrolled in the Television and Video Production program. In addition, the Foundation acts as the depository of contributions for the benefit of MPBS. All contributions received related to MPBS are considered contributions with donor restrictions. As MATC incurs expenses relating to MPBS, MATC requests reimbursement from the Foundation at which time the contributions are released from restriction.

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

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

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Accounting estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent events - The financial statements include management's evaluation of the events and transactions occurring subsequent to June 30, 2023 through November 9, 2023, which is the date the financial statements were available to be issued.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages and employee benefits which are allocated based on time and effort and information technology, occupancy and in-kind operating expenses which are allocated based on estimated usage.

Cash and cash equivalents - All cash and highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered cash and cash equivalents. Cash and highly liquid investments restricted for long-term purposes and endowments that are perpetual in nature are excluded from this definition. The cash equivalents consist of money market accounts with a balance of \$544,967 and \$42,447 as of June 30, 2023 and 2022.

Restricted cash - The Foundation holds and manages contributions for the benefit of MPBS under agreements between the Foundation and MATC. Funds not invested are held in a separate cash account solely for the benefit of MPBS.

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

Promises to give - The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determined the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance was considered necessary as of June 30, 2023 and 2022.

Investments - The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. See Note 3 for discussion of fair value measurement.

The Foundation utilizes various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundation's account balances and the amounts reported in the financial statements.

Revenue and revenue recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Foundation had no conditional contributions as of June 30, 2023 and 2022. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income taxes - The Foundation is organized as a Wisconsin nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a), as an organization described in IRC Section 501(c)(3) qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Sections 509(a)(1). The Foundation is required to file a Return of Organization Exempt from Income Tax (Form 990) annually with the IRS. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation analyzed the requirements for accounting for uncertain tax positions and determined that it was not required to record a liability related to uncertain tax positions as of June 30, 2023 or 2022. With few exceptions, the Foundation is no longer subject to federal income tax examinations by tax authorities for years before 2019 and state income tax examinations for years before 2018.

Financial instruments, credit risk, and other concentrations - Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions that management believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, individuals, and foundations supportive of the mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the investment committee believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

During the year ended June 30, 2023, the Foundation received approximately 21% of total contributions from one donor. During the year ended June 30, 2022, the Foundation received approximately 34% of total contributions from a different donor.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|--------------------|--------------------|
| Cash and cash equivalents | \$ 700,338 | \$1,079,066 |
| Investments | 1,064,473 | 1,697,405 |
| | <u>\$1,764,811</u> | <u>\$2,776,471</u> |

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Income from the board designated endowment is restricted for the benefit of MPBS.

3. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical investments (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 - Valuation is based upon quoted prices in active markets for identical investments.
- Level 2 - Valuation is based upon other significant observable inputs (including quoted prices for similar investments).
- Level 3 - Valuation is based upon significant unobservable inputs (including the Foundation's assumptions in determining the fair value of investments).

Following is a description of the valuation methodology used for the Foundation's assets measured at fair value:

Fixed Income and Equity Securities: Fair value is generally determined based on quoted market prices of each individual security held at the close of the period.

Money Market Funds: Valued by the custodians of the securities using multiple sources of information that are corroborated by market data.

Limited Partnership and Real Estate Investment Trust: The limited partnership and REIT are valued at net asset value (NAV), which is an amount equal to the ownership interest in the partners' capital and used as a practical expedient to estimate fair value. Both the limited partnership and REIT benchmark the NFI-ODEC as an investment strategy with a commitment to protect liquidity. The Foundation has no unfunded commitments. The limited partnership has quarterly redemptions with a 90-day notice period. The REIT has quarterly redemptions with a 30 day notice period.

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value.

Fair value measurements as of June 30, 2023

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|--------------|-----------|---------|--------------|
| Investments | | | | |
| Fixed income | \$14,489,060 | \$ - | \$ - | \$14,489,060 |
| Large cap equity | 9,089,078 | - | - | 9,089,078 |
| Small/mid cap equity | 6,321,971 | - | - | 6,321,971 |
| International equity | 4,187,547 | - | - | 4,187,547 |
| Money market | - | 533,592 | - | 533,592 |
| | \$34,087,656 | \$533,592 | - | 34,621,248 |
| Investments valued at NAV* | | | | |
| REIT | | | | 846,391 |
| Limited partnership | | | | 307,667 |
| | | | | \$35,775,306 |

Fair value measurements as of June 30, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|--------------|-----------|---------|--------------|
| Investments | | | | |
| Fixed income | \$12,309,240 | \$ - | \$ - | \$12,309,240 |
| Large cap equity | 7,244,696 | - | - | 7,244,696 |
| Small/mid cap equity | 5,427,041 | - | - | 5,427,041 |
| International equity | 2,799,718 | - | - | 2,799,718 |
| Emerging markets | 976,636 | - | - | 976,636 |
| Money market | - | 258,869 | - | 258,869 |
| | \$28,757,331 | \$258,869 | - | 29,016,200 |
| Investments valued at NAV* | | | | |
| REIT | | | | 863,281 |
| Limited partnership | | | | 342,245 |
| | | | | \$30,221,726 |

* The Foundation's investments in REIT and a limited partnership are measured at fair value using the NAV per share and have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position as of June 30, 2023 and 2022

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

4. PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|--------------------|--------------------|
| Within one year | \$1,075,151 | \$1,033,036 |
| In one to five years | 254,292 | 488,651 |
| Thereafter | 20,000 | 40,000 |
| | <u>1,349,443</u> | <u>1,561,687</u> |
| Less - discount to net present value | (17,630) | (28,880) |
| | <u>\$1,331,813</u> | <u>\$1,532,807</u> |

At June 30, 2023 and 2022, four donors accounted for 57% and three donors accounted for 51% of total promises to give.

5. ENDOWMENT

The Endowment consists of 81 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets that have been designated for endowment by the Board of Directors to benefit the MPBS. This endowment was created using contributions restricted by donors for the benefit of MPBS and is therefore shown as donor restricted.

The Foundation's Board of Directors has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

As of June 30, 2023 and 2022, the endowment net asset composition by type of fund is as follows:

| <u>June 30, 2023</u> | Without donor restriction | With donor restrictions | Total |
|--|---------------------------------|-------------------------------|---------------------|
| MPBS designated endowment funds | \$ - | \$12,086,984 | \$12,086,984 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 4,363,550 | 4,363,550 |
| Endowment net assets - end of year | <u>\$ -</u> | <u>\$16,450,534</u> | <u>\$16,450,534</u> |
| | | | |
| <u>June 30, 2022</u> | Without donor restriction | With donor restrictions | Total |
| MPBS designated endowment funds | \$ - | \$11,233,280 | \$11,233,280 |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 4,135,709 | 4,135,709 |
| Endowment net assets - end of year | <u>\$ -</u> | <u>\$15,368,989</u> | <u>\$15,368,989</u> |

From time-to-time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. As of June 30, 2023 and 2022, there were no underwater endowments.

Investment and spending policies - The Foundation adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. On a semiannual basis, the Foundation transfers 2.0% of the 20-quarter rolling average balance of each endowment fund to scholarships and programs. At the time of the transfer the funds are considered appropriated for expenditure by the Foundation. Individual endowment funds will not transfer a semiannual amount to scholarships and programs if the individual endowment fund balance is below \$10,000 and also reserves the right to withhold distributions if the Foundation is unable to identify sufficient program needs.

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Changes in Endowment net assets for the years ended June 30 are as follows:

| <u>June 30, 2023</u> | MPBS designated endowment funds | With donor restrictions | Total |
|---|--|-------------------------------|---------------------|
| Endowment net assets - beginning of year | \$11,233,280 | \$4,135,709 | \$15,368,989 |
| Investment gain, net | 1,291,586 | 413,888 | 1,705,474 |
| Contributions | - | 77,339 | 77,339 |
| Appropriation of endowment assets pursuant to spending-rate policy | (408,221) | (203,366) | (611,587) |
| Administrative fees | (29,661) | (60,020) | (89,681) |
| Endowment net assets - end of year | <u>\$12,086,984</u> | <u>\$4,363,550</u> | <u>\$16,450,534</u> |
| | | | |
| <u>June 30, 2022</u> | MPBS designated endowment funds | With donor restrictions | Total |
| Endowment net assets - beginning of year | \$12,316,455 | \$4,437,713 | \$16,754,168 |
| Investment loss, net | (1,739,358) | (709,862) | (2,449,220) |
| Contributions | 2,743,418 | 576,381 | 3,319,799 |
| Appropriation of endowment assets pursuant to spending-rate policy | (2,056,246) | (113,189) | (2,169,435) |
| Administrative fees | (30,989) | (55,334) | (86,323) |
| Endowment net assets - end of year | <u>\$11,233,280</u> | <u>\$4,135,709</u> | <u>\$15,368,989</u> |

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| For the benefit of MPBS | \$13,174,779 | \$11,853,624 |
| Programs and scholarships | 18,901,699 | 16,007,800 |
| | <u>32,076,478</u> | <u>27,861,424</u> |
| Endowments | | |
| Portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations of by UPMIFA | 4,363,550 | 4,135,709 |
| | <u>\$36,440,028</u> | <u>\$31,997,133</u> |

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

| | 2023 | 2022 |
|---|--------------|-------------|
| Satisfaction of purpose restrictions | | |
| For the benefit of MPBS | \$ 7,118,896 | \$6,344,067 |
| Programs and scholarships | 4,368,645 | 563,654 |
| | 11,487,541 | 6,907,721 |
| Restricted-purpose spending-rate distributions and appropriations | | |
| Endowment | 611,587 | 2,169,435 |
| Administrative fees | 60,020 | 55,334 |
| | 671,607 | 2,224,769 |
| Total net assets released from donor restrictions | \$12,159,148 | \$9,132,490 |

7. RELATED PARTY TRANSACTIONS

The Foundation incurs expenses in the form of salaries, benefits, rent, maintenance, and other operational expenses that are provided by MATC. MATC bills the Foundation for a portion of the services they provide. For each of the years ended June 30, 2023 and 2022, \$50,000 was paid for the services provided by MATC. Expenses incurred beyond the amounts paid are recorded as in-kind contributions and expenses. See Note 8 for amounts recorded as in-kind contributions and expenses.

The Foundation disburses scholarships, program grants, and reimbursements related to MPBS activities, and donated property and equipment to MATC. Amounts payable to MATC as of June 30, 2023 and 2022 totaled \$448,182 and \$306,522. As of June 30, 2023 and 2022, there were no amounts receivable from MATC.

8. CONTRIBUTED NONFINANCIAL ASSETS

The Foundation received the following contributions of nonfinancial assets for the years ending June 30:

| | 2023 | 2022 |
|---------------------------------------|-------------|-------------|
| Contributed by MATC | | |
| Professional services | \$ 403,748 | \$ 465,862 |
| Other direct expenses | 4,882 | 21,048 |
| | 408,630 | 486,910 |
| Instructional equipment and supplies | 23,630 | 74,527 |
| Total contributed nonfinancial assets | \$ 432,260 | \$ 561,437 |

Contributed instructional equipment and supplies received by the Foundation are recognized as in-kind contribution revenue with a corresponding increase to program expenses on the statement of activities. Contributed goods are recorded at fair value at the date of donation. Contributed instructional equipment and supplies are disbursed to Milwaukee Area Technical College for use in their student course programs.

Milwaukee Area Technical College Foundation, Inc.

Notes to Financial Statements
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Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. The Foundation record donated professional services at the respective fair values of the services received. The contributed professional services and other direct expenses are used for both program and supporting services and are allocated based on estimated usage by each program and supporting service.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.