

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

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2019 AND 2018**



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**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Milwaukee Area Technical College Foundation, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Milwaukee Area Technical College Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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.

### ***Auditors' 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 auditors' 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 foundation'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 foundation'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.

Board of Directors  
Milwaukee Area Technical College Foundation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milwaukee Area Technical College Foundation, Inc. as of June 30, 2019, 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.

***Other Matter***

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated September 27, 2018 expressed an unmodified opinion on those financial statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
November 18, 2019

FINANCIAL STATEMENTS

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**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 147,850	\$ 321,313
Restricted Cash	588,065	391,875
Investments	17,401,931	16,604,880
Promises to Give, Net	1,044,458	1,142,862
Prepaid Expenses	19,421	13,797
Total Assets	\$ 19,201,725	\$ 18,474,727
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 182,020	\$ 20,260
Deferred Revenue	-	200
Total Liabilities	182,020	20,460
<b>NET ASSETS</b>		
Without Donor Restrictions:	1,262,080	1,066,126
With Donor Restrictions:	17,757,625	17,388,141
Total Net Assets	19,019,705	18,454,267
Total Liabilities and Net Assets	\$ 19,201,725	\$ 18,474,727

See accompanying Notes to Financial Statements.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 77,967	\$ 2,390,180	\$ 2,468,147
In-Kind Contributions	523,322	-	523,322
Milwaukee PBS Restricted Contributions	-	5,946,556	5,946,556
Special Events Revenue	-	2,635	2,635
Investment Income, Net	293,782	640,745	934,527
Investment Income Appropriated For:			
Administrative Endowment	36,246	(36,246)	-
Investment Management Fees	9,057	(9,057)	-
Net Assets Released from Restrictions - Other	8,565,329	(8,565,329)	-
Total Revenue, Support, and Gains	9,505,703	369,484	9,875,187
<b>EXPENSES AND LOSSES</b>			
Program Services Expense:			
Program Operating Expenses	2,971,807	-	2,971,807
Milwaukee PBS Program Expenses	5,827,035	-	5,827,035
Total Program Expenses	8,798,842	-	8,798,842
Supporting Services Expense:			
Management and General	242,630	-	242,630
Fundraising and Development	268,277	-	268,277
Total Supporting Services Expenses	510,907	-	510,907
Total Expenses and Losses	9,309,749	-	9,309,749
<b>CHANGE IN NET ASSETS</b>	195,954	369,484	565,438
Net Assets - Beginning of Year	1,066,126	17,388,141	18,454,267
<b>NET ASSETS - END OF YEAR</b>	\$ 1,262,080	\$ 17,757,625	\$ 19,019,705

See accompanying Notes to Financial Statements.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 38,746	\$ 831,637	\$ 870,383
In-Kind Contributions	438,946	-	438,946
Milwaukee PBS Restricted Contributions	-	5,856,318	5,856,318
Special Events Revenue	-	31,110	31,110
Investment Income, Net	201,467	921,994	1,123,461
Investment Income Appropriated For:			
Scholarships and Program Expenses	18,826	(18,826)	-
Administrative Endowment	33,550	(33,550)	-
Investment Management Fees	9,186	(9,186)	-
Net Assets Released from Restrictions - Other	7,254,710	(7,254,710)	-
Total Revenue, Support, and Gains	<u>7,995,431</u>	<u>324,787</u>	<u>8,320,218</u>
<b>EXPENSES AND LOSSES</b>			
Program Services Expense:			
Program Operating Expenses	1,742,846	-	1,742,846
Milwaukee PBS Program Expenses	5,736,981	-	5,736,981
Total Program Expenses	<u>7,479,827</u>	<u>-</u>	<u>7,479,827</u>
Supporting Services Expense:			
Management and General	214,050	-	214,050
Fundraising and Development	178,615	-	178,615
Total Supporting Services Expenses	<u>392,665</u>	<u>-</u>	<u>392,665</u>
Total Expenses and Losses	<u>7,872,492</u>	<u>-</u>	<u>7,872,492</u>
<b>CHANGE IN NET ASSETS</b>	122,939	324,787	447,726
Net Assets - Beginning of Year	<u>943,187</u>	<u>17,063,354</u>	<u>18,006,541</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,066,126</u>	<u>\$ 17,388,141</u>	<u>\$ 18,454,267</u>

See accompanying Notes to Financial Statements.



**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Fundraising and Development	Total
Grants and Other Assistance	\$ 1,131,178	\$ -	\$ -	\$ 1,131,178
Program Expenses	1,722,508	-	-	1,722,508
Salaries, Wages and Employee Benefits	111,121	145,483	204,583	461,187
Milwaukee PBS Expenses	5,827,035	-	-	5,827,035
Accounting Fees	-	36,759	-	36,759
Office Expenses	-	-	8,565	8,565
Information Technology	-	3,582	14,742	18,324
Occupancy	7,000	7,000	14,000	28,000
Travel	-	-	2,373	2,373
Conferences, Conventions, and Meetings	-	699	358	1,057
Bank Fees	-	1,822	-	1,822
Insurance	-	8,038	-	8,038
Fundraising and Development	-	-	14,783	14,783
Dues and Subscriptions	-	-	1,831	1,831
Administrative Endowment Expenses	-	36,246	-	36,246
Other	-	3,001	7,042	10,043
<b>Total Expenses by Function</b>	<b>\$ 8,798,842</b>	<b>\$ 242,630</b>	<b>\$ 268,277</b>	<b>\$ 9,309,749</b>

See accompanying Notes to Financial Statements.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program Services	Management and General	Fundraising and Development	Total
Grants and Other Assistance	\$ 677,006	\$ -	\$ -	\$ 677,006
Program Expenses	942,441	-	-	942,441
Salaries, Wages and Employee Benefits	118,149	155,124	127,722	400,995
Milwaukee PBS Expenses	5,736,981	-	-	5,736,981
Accounting Fees	-	36,350	-	36,350
Information Technology	-	4,891	19,565	24,456
Occupancy	5,250	5,250	10,500	21,000
Conferences, Conventions, and Meetings	-	2,805	265	3,070
Bank Fees	-	1,718	-	1,718
Insurance	-	6,321	-	6,321
Fundraising and Development	-	-	16,440	16,440
Dues and Subscriptions	-	-	1,384	1,384
Other	-	1,591	2,739	4,330
<b>Total Expenses by Function</b>	<b>\$ 7,479,827</b>	<b>\$ 214,050</b>	<b>\$ 178,615</b>	<b>\$ 7,872,492</b>

See accompanying Notes to Financial Statements.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 565,438	\$ 447,726
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gain on Investments	(212,077)	(539,072)
Contributions Restricted to Endowment	(361,638)	(40,639)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	-	14,971
Promises To Give	98,404	1,472,763
Prepaid Expenses	(5,624)	(2,186)
Accounts Payable	161,760	11,858
Deferred Revenue	(200)	200
Net Cash Provided by Operating Activities	246,063	1,365,621
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(3,350,701)	(6,588,041)
Proceeds from Sales of Investments	2,765,727	4,890,830
Restricted Cash	(196,190)	30,306
Net Cash Used by Investing Activities	(781,164)	(1,666,905)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of Contributions Restricted to Endowment	361,638	40,639
Net Cash Provided by Financing Activities	361,638	40,639
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(173,463)	(260,645)
Cash and Cash Equivalents - Beginning of Year	321,313	581,958
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 147,850	\$ 321,313

See accompanying Notes to Financial Statements.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Milwaukee Area Technical College Foundation, Inc. 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 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.

**Cash and Cash Equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for long-term purposes are excluded from this definition.

**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.

**Promises to Give**

We record 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. We determine 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, 2019 and 2018.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

We record 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.

**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 that 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All 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 statements of activities as Net Assets Released from Restrictions.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to our 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 accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. Contributed goods and services totaled \$523,322 and \$438,946 for the years ended June 30, 2019 and 2018, respectively.

**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 among the programs and supporting services benefited.

**Income Taxes**

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Instruments and Credit Risk**

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have 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 our mission. Investments are made by diversified investment managers whose performance is monitored by us 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, we and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the foundation.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported total net assets.

**Subsequent Events**

We have evaluated subsequent events through November 18, 2019, the date the financial statements were available to be issued.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-14 did not have a material impact on the foundation's financial statements.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Guidance**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which becomes effective for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with early adoption permitted for annual reporting periods beginning after December 15, 2016. Adoption is to be applied retrospectively. The foundation is currently evaluating the impact of ASU 2014-09 on the foundation's financial statements and has not yet determined its method of adoption.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. The standard is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The foundation is currently evaluating the impact of ASU 2016-02 on the foundation's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional. For standard is effective for the fiscal year ending June 30, 2020. The foundation is currently evaluating the impact of ASU 2018-08 on the foundation's financial statements.



**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 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 statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$	147,850
Investments		<u>1,031,880</u>
 Total	 \$	 <u><u>1,179,730</u></u>

Our 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.

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We report certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of our investment assets are classified within Level 1 because they are traded in an active market for which closing prices are readily available. We invest in money market funds traded in the financial markets. Those money market funds are valued by the custodians of the securities using multiple sources of information that are corroborated by market data and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019.

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>ASSETS</b>				
Investments				
Fixed Income Securities	\$ 7,227,063	\$ 7,227,063	\$ -	\$ -
Large Cap Equity Securities	3,360,905	3,360,905	-	-
Small/Mid Cap Equity Securities	3,410,458	3,410,458	-	-
International Equity Securities	2,101,383	2,101,383	-	-
Emerging Markets Equity Securities	710,732	710,732	-	-
Money Market Funds	591,390	-	591,390	-
Total	<u>\$ 17,401,931</u>	<u>\$ 16,810,541</u>	<u>\$ 591,390</u>	<u>\$ -</u>

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>ASSETS</b>				
Investments				
Fixed Income Securities	\$ 7,169,909	\$ 7,169,909	\$ -	\$ -
Large Cap Equity Securities	3,709,023	3,709,023	-	-
Small/Mid Cap Equity Securities	3,000,550	3,000,550	-	-
International Equity Securities	1,646,600	1,646,600	-	-
Emerging Markets Equity Securities	942,505	942,505	-	-
Money Market Funds	136,293	-	136,293	-
Total	<u>\$ 16,604,880</u>	<u>\$ 16,468,587</u>	<u>\$ 136,293</u>	<u>\$ -</u>

**NOTE 4 PROMISES TO GIVE**

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within One Year	\$ 883,875	\$ 1,118,941
In One to Five Years	166,000	25,000
Total	1,049,875	1,143,941
Less: Discount to Net Present Value at Rate of 2.76%	(5,417)	(1,079)
Total	<u>\$ 1,044,458</u>	<u>\$ 1,142,862</u>

At June 30, 2019 and 2018, one donor accounted for 74% and 68% of total promises to give, respectively.

**MILWAUKEE AREA TECHNICAL COLLEGE FOUNDATION, INC.**  
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**NOTE 5 INVESTMENTS**

The following is a summary of investments as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fixed Income Securities	\$ 7,227,063	\$ 7,169,909
Large Cap Equity Securities	3,360,905	3,709,023
Small/Mid Cap Equity Securities	3,410,458	3,000,550
International Equity Securities	2,101,383	1,646,600
Emerging Markets Equity Securities	710,732	942,505
Money Market Funds	591,390	136,293
Total Investments	<u>\$ 17,401,931</u>	<u>\$ 16,604,880</u>

Investment income is summarized as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 763,940	\$ 626,371
Net Realized Gains	24,109	640,923
Net Unrealized Gains (Losses)	187,968	(101,850)
Investment Fees	(41,490)	(41,983)
Total	<u>\$ 934,527</u>	<u>\$ 1,123,461</u>

**NOTE 6 ENDOWMENT**

Our endowment (the Endowment) consists of approximately 65 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.

Our 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, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, we retain 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 us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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**NOTE 6 ENDOWMENT (CONTINUED)**

- 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

As of June 30, we had the following endowment net asset composition by type of fund:

June 30, 2019	Without Donor Restriction	With Donor Restrictions	Total
MPBS Designated Endowment Funds	\$ -	\$ 8,261,963	\$ 8,261,963
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	3,935,447	3,935,447
Total	<u>\$ -</u>	<u>\$ 12,197,410</u>	<u>\$ 12,197,410</u>
<u>June 30, 2018</u>			
MPBS Designated Endowment Funds	\$ -	\$ 7,880,706	\$ 7,880,706
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	3,499,989	3,499,989
Total	<u>\$ -</u>	<u>\$ 11,380,695</u>	<u>\$ 11,380,695</u>

**Investment and Spending Policies**

We have 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.

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**NOTE 6 ENDOWMENT (CONTINUED)**

We use an endowment spending-rate formula 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.

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

June 30, 2019	MPBS Designated Endowment Funds	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 7,880,706	\$ 3,499,989	\$ 11,380,695
Investment Return, Net	439,316	230,229	669,545
Contributions	871,949	361,638	1,233,587
Appropriation of Endowment Assets			
Pursuant to Spending-Rate Policy	(930,008)	(111,106)	(1,041,114)
Administrative Fees	-	(45,303)	(45,303)
Endowment Net Assets - End of Year	<u>\$ 8,261,963</u>	<u>\$ 3,935,447</u>	<u>\$ 12,197,410</u>
<u>June 30, 2018</u>			
Endowment Net Assets - Beginning of Year	\$ 7,043,182	\$ 3,312,927	\$ 10,356,109
Investment Return, Net	644,914	306,912	951,826
Contributions	1,546,555	40,639	1,587,194
Appropriation of Endowment Assets			
Pursuant to Spending-Rate Policy	(1,353,945)	(117,753)	(1,471,698)
Administrative Fees	-	(42,736)	(42,736)
Endowment Net Assets - End of Year	<u>\$ 7,880,706</u>	<u>\$ 3,499,989</u>	<u>\$ 11,380,695</u>

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**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
For the Benefit of MPBS	\$ 8,737,624	\$ 8,196,966
Programs and Scholarships	5,084,554	5,691,186
Total	<u>13,822,178</u>	<u>13,888,152</u>
Permanently Restricted to Endowment	<u>3,935,447</u>	<u>3,499,989</u>
Total Net Assets with Donor Restrictions	<u>\$ 17,757,625</u>	<u>\$ 17,388,141</u>

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:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
For the Benefit of MPBS	\$ 5,827,035	\$ 5,736,981
Programs and Scholarships	1,697,180	64,857
Total	<u>7,524,215</u>	<u>5,801,838</u>
Restricted-Purpose Spending-Rate		
Distributions and Appropriations:		
Endowment	1,041,114	1,471,698
Administrative Fees	45,303	42,736
Total	<u>1,086,417</u>	<u>1,514,434</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 8,610,632</u>	<u>\$ 7,316,272</u>

**NOTE 8 CONDITIONAL PROMISE TO GIVE**

We received a conditional promise to give totaling \$2,000,000 for the period of January 1, 2017 through June 30, 2020. The contribution is conditional upon meeting various requirements included in the grant agreement and is being recorded as contribution revenue as the conditions are met and payments are being received. As of June 30, 2019 the foundation has collected a total of \$454,295 on this pledge.

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**NOTE 9 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages and employee benefits which are allocated based on estimates of time and effort and information technology, occupancy and in-kind operating expenses which are allocated based on estimated usage.

**NOTE 10 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, 2019 and 2018 \$50,000 was paid for the services provided by MATC. Expenses incurred beyond the amounts paid are recorded as in-kind contributions and expenses. For the years ended June 30, 2019 and 2018, \$456,754 and \$375,853, respectively, was 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, 2019 and 2018 totaled \$174,198 and \$8,985, respectively. As of June 30, 2019 and 2018, there were no amounts receivable from MATC.