



# **John A. Logan College Foundation (A Component Unit of John A. Logan College)**

Financial Report  
June 30, 2018

## Contents

---

Independent auditor's report	1
<hr/>	
Financial statements	
Statement of financial position	2
Statement of activities	3
Statement of cash flows	4
Notes to financial statements	5-12

---



## Independent Auditor's Report

RSM US LLP

Board of Directors  
John A. Logan College Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of John A. Logan College Foundation (a component unit of John A. Logan College), which comprise the statement of financial position as of June 30, 2018, the related statements of activities 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 of material misstatement.

An audit includes 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 John A. Logan College Foundation as of June 30, 2018, 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.

*RSM US LLP*

St. Louis, Missouri  
December 5, 2018

**John A. Logan College Foundation**  
**(A Component Unit of John A. Logan College)**

**Statement of Financial Position**  
**June 30, 2018**

---

**Assets**

Cash and cash equivalents	\$ 1,157,307
Contributions receivable	150
Prepaid expenses and other assets	3,416
Investments	<u>8,081,765</u>
<b>Total assets</b>	<b><u><u>\$ 9,242,638</u></u></b>

**Liabilities and Net Assets**

Liabilities:

Accounts payable	\$ 154,745
Unearned revenue	<u>2,800</u>
<b>Total liabilities</b>	<b><u>157,545</u></b>

Net assets:

Unrestricted	1,673,018
Temporarily restricted	2,177,989
Permanently restricted	<u>5,234,086</u>
<b>Total net assets</b>	<b><u>9,085,093</u></b>

<b>Total liabilities and net assets</b>	<b><u><u>\$ 9,242,638</u></u></b>
---	-----------------------------------

See notes to financial statements.

**John A. Logan College Foundation**  
**(A Component Unit of John A. Logan College)**

**Statement of Activities**  
**Year Ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and other support:</b>				
Contributions	\$ 239,310	\$ 477,335	\$ 1,560,000	\$ 2,276,645
Special events, net of expenses of \$56,332	(14,053)	7,226	-	(6,827)
Net assets released from restrictions	508,840	(508,840)	-	-
<b>Total public support</b>	<b>734,097</b>	<b>(24,279)</b>	<b>1,560,000</b>	<b>2,269,818</b>
<b>Investment return:</b>				
Dividends and interest	31,640	123,806	-	155,446
Net unrealized loss on investments held	(99,239)	(395,036)	-	(494,275)
Net realized gain on investments sold	176,235	671,260	-	847,495
<b>Total investment return</b>	<b>108,636</b>	<b>400,030</b>	<b>-</b>	<b>508,666</b>
<b>Total revenue and other support</b>	<b>842,733</b>	<b>375,751</b>	<b>1,560,000</b>	<b>2,778,484</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Scholarships	379,123	-	-	379,123
Athletics	87,346	-	-	87,346
Other student support	94,511	-	-	94,511
Management and general	149,442	-	-	149,442
Fundraising	131,315	-	-	131,315
<b>Total expenses</b>	<b>841,737</b>	<b>-</b>	<b>-</b>	<b>841,737</b>
<b>Change in net assets</b>	<b>996</b>	<b>375,751</b>	<b>1,560,000</b>	<b>1,936,747</b>
Net assets at beginning of year	1,672,022	1,802,238	3,674,086	7,148,346
Net assets at end of year	<b>\$ 1,673,018</b>	<b>\$ 2,177,989</b>	<b>\$ 5,234,086</b>	<b>\$ 9,085,093</b>

See notes to financial statements.

**John A. Logan College Foundation**  
**(A Component Unit of John A. Logan College)**

**Statement of Cash Flows**  
**Year Ended June 30, 2018**

---

Cash flows from operating activities:	
Change in net assets	\$ 1,936,747
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on investments	(353,220)
Contributions restricted for long-term purposes	(1,560,000)
Changes in assets and liabilities:	
Contributions receivable	6,350
Prepaid expenses and other assets	2,643
Accounts payable	143,366
Unearned revenue	2,800
<b>Net cash provided by operating activities</b>	<u>178,686</u>
Cash flows from investing activities:	
Proceeds from sales of investments	14,467,077
Purchases of investments	<u>(16,190,407)</u>
<b>Net cash used in investing activities</b>	<u>(1,723,330)</u>
Cash flows from financing activities:	
Contributions restricted for long-term purposes	<u>1,560,000</u>
<b>Net cash provided by financing activities</b>	<u>1,560,000</u>
<b>Net increase in cash and cash equivalents</b>	15,356
Cash and cash equivalents, beginning of year	<u>1,141,951</u>
Cash and cash equivalents, end of year	<u>\$ 1,157,307</u>

See notes to financial statements.

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies**

John A. Logan College Foundation (the Foundation) is organized exclusively for educational and charitable purposes. The Foundation assists in developing and augmenting the facilities and carrying out the educational functions of John A. Logan College (the College).

Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, the Foundation is reported as a component unit of the College in the College's separately issued financial statements. Generally, GASB Statement No. 61 amends the criteria for reporting component units as if they were part of the primary government. The Foundation raises and holds significant economic resources for the direct benefit of a governmental unit and acts primarily as a fundraising foundation to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources, or income thereon that the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used for the benefit of the students of the College, and the College and Foundation have a financial benefit or burden relationship, the Foundation is considered a component unit of the College.

**Basis of accounting:** The financial statements of John A. Logan College Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. The Foundation has presented its assets and liabilities on its statement of financial position in an unclassified manner, but in order of liquidity.

**Basis of presentation:** The Foundation classifies its net assets for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions:

**Unrestricted:** Unrestricted net assets are not subject to donor-imposed stipulations. The Foundation may designate portions of its unrestricted net assets as board-designated for various purposes, including quasi-endowment.

**Temporarily restricted:** Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the Foundation or the passage of time.

**Permanently restricted:** Permanently restricted net assets are subject to donor-imposed stipulations that they be permanently maintained by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for general or specific purposes.

**Cash and cash equivalents:** Cash equivalents consist of cash and highly liquid short-term investments including money market account deposits with an original maturity of three months or less from the date of purchase. The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk on cash.

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Contributions:** Contributions, including unconditional pledges, are recognized in the appropriate category of net assets in the period received. Conditional pledges are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Contributions to be received after one year are discounted and recorded at the present value using a risk-adjusted rate of return. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. There were no contributions to be received after one year at June 30, 2018. An allowance for uncollectible pledges is recognized based on historical experience, as necessary. No allowance for uncollectible pledges was recognized for the year ended June 30, 2018.

Contributions received in the same year in which the restriction is met are recorded as temporarily restricted contributions and released from restriction.

**Contributed services:** John A. Logan College provides office space, accounting and record-keeping services, and the necessary administrative services to the Foundation at no charge. The rental value of the office space is recorded at fair rental value equivalent to similar facility space. Other amounts have been recorded based on the actual cost to the College for the services. See Note 6.

**Investments:** Investments are reported at fair value. Investment income, gains and losses, and any investment-related expenses are recorded as changes in unrestricted net assets in the statement of activities unless their use is temporarily or permanently restricted by explicit donor stipulations or law. In the absence of donor stipulations or law to the contrary, losses on the investments of donor-restricted endowment funds are recognized as reductions of temporarily restricted net assets to the extent that donor-imposed restrictions on net appreciation of the funds have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets.

**Investment expenses:** Expenses, including custodial fees and investment advisory fees, relating to investment income amounted to \$44,742 and have been included in management and general expenses in the accompanying statement of activities.

**Income taxes:** The Foundation is recognized as exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation may be subject to federal and state income taxes on any net income from unrelated business activities. The Foundation files a Form 990 (Return of Organization Exempt from Income Tax) annually, and unrelated business income (UBI) is reported on Form 990-T, as appropriate. Management has evaluated the Foundation's material tax positions, which include such matters as the tax-exempt status of each entity and various positions relative to potential sources of UBI. As of June 30, 2018, there were no uncertain tax benefits identified and recorded as a liability.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Recently issued accounting pronouncements:** In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance related to contributions of cash and other assets received and made by not-for-profit organizations. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The updated standard is effective for annual financial statements issued for the years beginning after December 15, 2018. The Foundation is currently evaluating the effect that the adoption of the standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include reduction in the number of net asset categories from three to two, conforming requirement on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expense), expanded disclosures about the nature and amount of any donor restrictions, expanded disclosures on any board designations of net assets, and other additional disclosures. The new standard is effective for fiscal years beginning after December 15, 2017; early adoption is allowed. The Foundation is currently evaluating the effect that the adoption of the standard will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-04, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the adoption of the standard will have on its financial statements.

**Subsequent events:** Subsequent events have been evaluated through December 5, 2018, which is the date the financial statements were available to be issued.

**Note 2. Investments**

The fair value and cost of the Foundation's investments carried at fair value at June 30, 2018, are as follows:

	Fair Value	Cost
Mutual funds	\$ 2,738,870	\$ 2,692,598
Common stock	472,816	417,292
Exchange-traded funds	2,201,158	2,110,193
Corporate bonds	2,111,998	2,157,932
U.S. government and agency obligations	556,923	557,494
	<u>\$ 8,081,765</u>	<u>\$ 7,935,509</u>

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 3. Investments and Fair Value Measurements**

Accounting guidance for fair value 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 assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

**Level 1:** Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Foundation has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the Foundation has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

**Level 2:** Inputs are significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Inputs are significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

**Investments:** Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include mutual funds, common stock and exchange-traded funds.

If quoted market prices are not available, fair values are then estimated by the Foundation's investment managers using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Level 2 securities would include corporate bonds and U.S. government and agency obligations where values are based on similar securities and certain other securities.

In certain cases where there is limited activity or less transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Description	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 2,738,870	\$ -	\$ -	\$ 2,738,870
Common stock	472,816	-	-	472,816
Exchange-traded funds	2,201,158	-	-	2,201,158
Corporate bonds	-	2,111,998	-	2,111,998
U.S. government and agency obligations	-	556,923	-	556,923
<b>Total</b>	<b>\$ 5,412,844</b>	<b>\$ 2,668,921</b>	<b>\$ -</b>	<b>\$ 8,081,765</b>

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 3. Investments and Fair Value Measurements (Continued)**

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year ended June 30, 2018.

**Note 4. Restrictions on Net Assets**

The Foundation reports gifts of cash and other assets as restricted if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At the end of fiscal year 2018, the Foundation held \$2,177,989 in temporarily restricted net assets. These assets will be used for scholarships for students of the College as well as grants benefiting the College, in amounts as follows:

Non-endowed scholarships	\$ 388,004
Athletics	142,743
Endowments	1,346,347
Other	300,895
	<u>\$ 2,177,989</u>

During fiscal year 2018, \$508,840 was released from restrictions and used for the following purposes:

Scholarships	\$ 412,168
Other college expenses	96,672
	<u>\$ 508,840</u>

The Foundation's permanently restricted net assets consist of donor-restricted endowment funds to function as endowments restricted for various scholarships.

**Note 5. Endowment Funds**

The Foundation's endowment consists of 71 funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 5. Endowment Funds (Continued)**

**Interpretation of relevant law:** The Board of Directors of the Foundation, through obtaining a legal opinion and committee review, has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

**Spending policy:** The Foundation has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. The Board-approved spending was \$164,744 for the fiscal year ended June 30, 2018.

**Investment return objectives, risk parameters and strategies:** The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**John A. Logan College Foundation**  
**(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

**Note 5. Endowment Funds (Continued)**

Endowment net assets as of June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ 1,345,743	\$ 5,234,086	\$ 6,579,829
Board-designated endowment funds	1,605,188	-	-	1,605,188
	<u>\$ 1,605,188</u>	<u>\$ 1,345,743</u>	<u>\$ 5,234,086</u>	<u>\$ 8,185,017</u>

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 1,537,507	\$ 945,301	\$ 3,674,086	\$ 6,156,894
Reclassification of beginning net assets	3,594	137,038	-	140,632
Transfers in	5,880	-	-	5,880
Investment return:				
Dividends and interest	30,536	113,800	-	144,336
Unrealized loss	(99,238)	(361,036)	-	(460,274)
Realized gain	176,235	626,058	-	802,293
Total investment return	<u>107,533</u>	<u>378,822</u>	<u>-</u>	<u>486,355</u>
Contributions	-	-	1,560,000	1,560,000
Appropriation of endowment assets for expenditure	(49,326)	(115,418)	-	(164,744)
Endowment net assets, end of year	<u>\$ 1,605,188</u>	<u>\$ 1,345,743</u>	<u>\$ 5,234,086</u>	<u>\$ 8,185,017</u>

**Note 6. Relationship to John A. Logan College and Related Transactions**

As part of the Foundation's efforts, contributions are accepted for the purchase of equipment to be used at the College. The College makes the initial purchase and submits invoices to the Foundation for reimbursement. The amounts reimbursed to the College are expensed as title to the assets remains with the College.

**John A. Logan College Foundation  
(A Component Unit of John A. Logan College)**

**Notes to Financial Statements**

---

**Note 6. Relationship to John A. Logan College and Related Transactions (Continued)**

The College donates various goods and services to the Foundation. The rental value of the Foundation's office at the College for the year ended June 30, 2018, was \$12,000, which has been allocated \$4,237 to scholarships, \$4,412 to fundraising and \$3,351 to management and general. During the year ended June 30, 2018, \$225,387 in contributed services and supplies has been recorded as expenses as follows: \$42,128 for scholarships, \$122,234 for fundraising and \$61,025 for management and general. The same amounts have been included in contribution revenue for the year ended June 30, 2018.

