

CHESAPEAKE COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

CHESAPEAKE COLLEGE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

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ALLINIAL GLOBAL

To the Board of Directors
Chesapeake College Foundation, Inc.
Wye Mills, Maryland

Opinion

We have audited the financial statements of Chesapeake College Foundation, Inc., which comprise the statement of financial position as of June 30, 2024, 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 Chesapeake College Foundation, Inc. as of June 30, 2024, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chesapeake 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

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 Chesapeake College Foundation, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's 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 Chesapeake 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 Chesapeake 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.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
October 23, 2024

CHESAPEAKE COLLEGE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

ASSETS

ASSETS

Cash and cash equivalents	\$	946,909
Pledges receivable		52,299
Prepaid expense		104
Investments, at fair value		9,115,679
Artwork		6,000
Total assets	\$	<u>10,120,991</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	3,571
Due to related party		293,108
Total liabilities		<u>296,679</u>

NET ASSETS

Without donor restrictions		
Board designated		519,460
Undesignated		889,750
Artwork		6,000
Total without donor restrictions		<u>1,415,210</u>
With donor restrictions		<u>8,409,102</u>
Total net assets		<u>9,824,312</u>
Total liabilities and net assets	\$	<u>10,120,991</u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions of financial assets	\$ 625,287	\$ 354,704	\$ 979,991
Contributions of nonfinancial assets	205,707		205,707
Special events, net	12,939	8,238	21,177
Investment income, net of expenses	57,396	934,807	992,203
Net assets released from restrictions	515,305	(515,305)	
	1,416,634	782,444	2,199,078
EXPENSES			
Program services	522,806		522,806
General and administrative	111,322		111,322
Fundraising	90,733		90,733
	724,861		724,861
Change in net assets	691,773	782,444	1,474,217
NET ASSETS, BEGINNING OF YEAR	723,437	7,626,658	8,350,095
NET ASSETS, END OF YEAR	\$ 1,415,210	\$ 8,409,102	\$ 9,824,312

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services		General and Administrative	Fundraising	Total
	Scholarships	College Program Support			
Banking fees	\$	\$	\$ 1,109	\$	\$ 1,109
Consultants			49,755		49,755
Donated services	60,107	6,341	34,028	90,733	191,209
Postage			1,109		1,109
Refreshments/awards		7,004			7,004
Scholarships	375,443				375,443
Supplies			3,393		3,393
Transfers to the College		73,911			73,911
Uncollectible pledges			21,928		21,928
Direct expenses for special events				4,500	4,500
 Total expenses by function	 435,550	 87,256	 111,322	 95,233	 729,361
 Less direct expenses for special events				 (4,500)	 (4,500)
 Total expenses as presented on the Statements of Activities	 <u>\$ 435,550</u>	 <u>\$ 87,256</u>	 <u>\$ 111,322</u>	 <u>\$ 90,733</u>	 <u>\$ 724,861</u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE COLLEGE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,474,217
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Change in investment value	(799,823)
Restricted contributions	124,249
Change in assets and liabilities:	
Pledges receivable	(44,566)
Prepaid expense	54
Accounts payable and accrued expenses	(2,553)
Net cash provided by operating activities	<u>751,578</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(7,282,275)
Proceeds from sale of investments	<u>7,339,374</u>
Net cash provided by investing activities	<u>57,099</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net payments from related party	(166,492)
Collection of restricted contributions	<u>(124,249)</u>
Net cash used by financing activities	<u>(290,741)</u>
Net increase in cash and cash equivalents	517,936
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>428,973</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 946,909</u></u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NATURE OF THE ORGANIZATION

The Chesapeake College Foundation, Inc. (the “Foundation”) is a not-for-profit corporation established exclusively for charitable and educational purposes to benefit the students and faculty of Chesapeake College (the “College”). Support is derived through solicitation of contributions and grants.

The Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements due to its significant operational and financial relationship. The Foundation reports under Financial Accounting Standards Board (“FASB”) guidance.

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Foundation reports information regarding its financial position and operations according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Board of Directors has designated certain investments for use at their discretion.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions are designated for specific purposes by action of the Board of Directors and, accordingly, include “quasi” endowment investments.

Net assets with donor restrictions – Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time, such as term endowments. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity and are primarily comprised of original endowment gifts given to the Foundation by donors. Generally, the donors of these assets permit the Foundation to use all or part of the income on these assets.

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

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are the collectability and valuation of pledges receivable and the fair market valuation of investments.

Cash and cash equivalents

The Foundation considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Investments

The Foundation's investments are stated at fair value. The fair values of equity and bond mutual funds are based on quoted prices in active markets. Changes in unrealized gains and losses are included in investment (loss) gain. Realized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by the donor or by law. Other investment income, such as dividends and interest, is recognized in the period earned as increases in net assets without donor restrictions unless the use is limited by donor-imposed restrictions.

The Foundation's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the College's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Contributions and promises to give

Unconditional promises to give, which are recorded as pledges receivable, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk adjusted interest rates applicable to the year in which the promises are received. Amortization of the discount is recognized as contribution revenue over the life of the pledge. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-cash donations

Donated assets, including securities and property and equipment, are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions. Absent donor stipulations regarding how long the donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor at which time net asset with donor restrictions are reclassified to net assets without donor restrictions. Donated services that require specialized skills or enhance nonfinancial assets are recorded as support at fair value at the time of donation with a corresponding charge to expense.

Net asset classification and endowments

The Foundation complies with FASB guidance on net asset classification of donor-restricted endowment funds and related disclosures. The Foundation's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment (board designated funds). As required by accounting standards generally accepted in the United States of America, net assets associated with endowment funds, including board designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Maryland complies with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), replacing the 1974 Uniform Management of Institutional Funds Act ("UMIFA"). UPMIFA was issued by the National Conference of Commissioners on Uniform State Laws to, among other things, improve (a) protection of donor intent with respect to expenditures from endowments and (b) the endowment spending rule by eliminating the historic dollar value concept and provide better guidance regarding the operation of the prudence standard. The Maryland Law is called the Maryland Uniform Prudent Management of Institutional Funds Act ("MUPMIFA"). Under MUPMIFA, the term "endowment funds" does not include assets that an institution designates as an endowment fund for its own use. However, the disclosures required under FASB guidance applies to both donor-restricted and board designated endowment funds.

Donor restricted gifts

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as without donor restrictions.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code. However, some of its income may be subject to taxation as unrelated business income.

The Foundation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program functions. Such allocations are determined by management on an equitable basis. The only allocated expense is donated services. Donated services have been allocated on a time and effort basis.

Subsequent events

The Foundation has evaluated subsequent events for the recognition or disclosure through October 23, 2024, the date the financial statements were available to be issued.

Adoption of new accounting standard

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Foundation adopted the standard effective July 1, 2023. There was no financial impact to the Foundation's financial statements for the year ended June 30, 2024.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

AVAILABILITY AND LIQUIDITY

The following represents Chesapeake College Foundation, Inc.'s financial assets at June 30, 2024:

Financial assets at year end:	
Cash and cash equivalents	\$ 946,909
Pledges receivable, current portion	52,299
Investments, at fair value	<u>9,115,679</u>
Total financial assets	10,114,887
Less amounts not available to be used for general expenditures:	
Net assets with donor restrictions	<u>8,409,102</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,705,785</u>

The Foundation follows an investment policy to preserve the long-term, real purchasing power of their investments while providing a relatively predictable and growing stream of annual distributions in support of the mission of the Foundation.

The Foundation Board has designated various funds for future purposes. These funds, although currently designated for specific use by the Board, can be removed from Board designation at any time with a majority vote from the Board. Thus, the Foundation has considered these funds as available for use.

CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash accounts at a commercial bank, that, at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2024 were \$52,299. The full amount is recognized as part of With Donor Restrictions and is due within one year, thus no discount to present value was recorded. Pledges receivable that are due in more than a year are discounted using a 5% discount rate.

The Foundation utilizes the allowance method to determine the estimated uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give. Management has not established an allowance for doubtful collections at June 30, 2024 based upon information currently known. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. However, events impacting donors can occur in subsequent years that may cause a material change.

FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Foundation measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The following tables present the investments measured at fair value as of June 30, 2024 by caption on the statement of financial position by the valuation hierarchy defined above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value (a)</u>	<u>Total Fair Value</u>
Assets, recurring fair value measurements:					
Investments:					
Cash and cash equivalents	\$ 227,430	\$	\$	\$	\$ 227,430
T-Bills	755,103				755,103
Bond funds	1,604,878				1,604,878
Equities	5,537,937				5,537,937
Exchange traded funds	970,437				970,437
Total assets, recurring at fair value	<u>\$ 9,095,785</u>				<u>\$ 9,095,785</u>
Investments reported at net asset value (a)				19,894	19,894
Total	<u>\$ 9,095,785</u>	<u>\$</u>	<u>\$</u>	<u>\$ 19,894</u>	<u>\$ 9,115,679</u>

The Foundation did not have any financial instruments whose fair values were measured using Level 2 or Level 3 inputs at June 30, 2024.

- (a) In accordance with the Fair Value Measurement Topic, certain investments that were measured at Net Asset Value per share as a practical expedient have not been classified in the fair value hierarchy. The fair value amount represented in this table is intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Valuation methodologies

The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments. Mutual funds are actively traded with values based on quoted market prices in active markets.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

Valuation methodologies (continued)

Investments reported at net asset value: Valued at net asset value based primarily on observable inputs. The net asset value is the practical expedient to estimate fair value. The practical expedient would not be used if it is determined to be probable that the fund would sell for an amount different from net asset value. Net asset values are based upon the fair value of the underlying assets of the investments derived principally from or corroborated by observable market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in valuation methodologies from the prior year.

Investment income

Investment income consists of the following for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 49,585	\$ 195,714	\$ 245,299
Realized gain	49,438	235,115	284,553
Unrealized gain (loss)	(3,437)	503,978	500,541
Total	<u>\$ 95,586</u>	<u>\$ 934,807</u>	<u>\$ 1,030,393</u>

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NET ASSETS

Net assets with donor restrictions were as follows as of June 30, 2024:

Specific Purpose:	
General Scholarships	\$ 3,282,879
Workforce Development Campaign	995,297
Endowed Program Support	624,327
Annual College Program Support	27,464
Capital Support	103,840
Held in perpetuity	3,375,295
	<u>\$ 8,409,102</u>

Net assets without donor restrictions consisted of the following as of June 30, 2024:

Board designated	\$ 519,460
Undesignated	889,750
Artwork	6,000
	<u>\$ 1,415,210</u>

Board designated funds consists of matching funds from the State of Maryland. Under the terms of a Private Donation Incentive Program (the "Incentive Program") with the State of Maryland, the Foundation received matching funds of \$250,000 for the Foundation's endowments. The Board has determined that the matching funds, including investment return thereon, are not restricted, but has elected to designate such funds for future purposes.

Net assets released from donor restrictions were used for the following purposes for the year ended June 30, 2024:

Scholarships for Chesapeake College	\$ 375,443
Pass-through funds to Chesapeake College	73,911
Other	65,951
	<u>\$ 515,305</u>

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

RESTRICTED AND BOARD DESIGNATED ENDOWMENT FUNDS

The Foundation's Board of Directors has interpreted the Maryland state law ("MUPMIFA") as a guide for prudent spending of the fair value of endowed funds, according to the donor directives when each fund was established. The Board is responsible for using prudence when determining expenditures for endowments and to consider the net appreciation, realized and unrealized, in the fair value of assets of an endowment fund over the historic dollar value of the fund. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the fair value of the original gifts donated to the endowment (b) the fair value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the Foundation and the donor-restricted endowment funds; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the Foundation; and (g) the investment policies of the Foundation.

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level the Foundation is required to retain by donor stipulation or by law. The Foundation has interpreted MUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2024, the Foundation had no underwater endowments.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

RESTRICTED AND BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

The Foundation's donor restricted and board designated endowment funds consisted of the following for the year ended June 30, 2024:

	Unrestricted Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 375,502	\$ 4,455,975	\$ 4,831,477
Contributions to the endowment fund		124,249	124,249
Investment return:			
Interest and dividends	49,585	236,752	286,337
Net appreciation (realized and unrealized)	46,001	739,093	785,094
Additions to endowment assets for specific scholarships		167,020	167,020
Release of endowment assets for current expenditures	48,372	(229,414)	(181,042)
Change in net assets	143,958	1,037,700	1,181,658
Endowment net assets, end of year	\$ 519,460	\$ 5,493,675	\$ 6,013,135

The Foundation has a policy of appropriating for distribution each year 3-5% of the fair market value of the endowed scholarship funds, based upon a rolling 20 quarter market value of the funds. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate - as measured by the Consumer Price Index. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Expenditure from the board designated net assets is released as approved by the Foundation's Board of Directors. The earnings on the endowments with donor restrictions are released from restricted funds in accordance with donor stipulations as per agreements. The Foundation's primary investment objective is to achieve a long-term total return from capital market investments that exceeds the 3-5% annual scholarship distribution plus inflation, in order to maintain the real-dollar level of support. A secondary objective is the preservation of capital.

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

RESTRICTED AND BOARD DESIGNATED ENDOWMENT FUNDS (Continued)

The Foundation’s asset allocation by class and composition guideline is as follows:

	IPS Ranges		
	Minimum	Long-term Target	Maximum
Equities:	55.00%	65.00%	70.00%
Large cap	30.00%	40.00%	50.00%
International	5.00%	12.00%	18.00%
Small cap	2.00%	7.00%	12.00%
Mid cap	4.00%	6.00%	10.00%
Fixed income	25.00%	33.00%	45.00%
High yield	0.00%	2.00%	5.00%
Cash equivalent, money market	0.00%	2.00%	10.00%

A balanced investment approach is used. In as much as preservation of capital is an objective, quality securities will be emphasized. High risk-taking is not in the best interest of the Foundation and should be avoided. Management of assets shall be executed so as to provide reasonably consistent performance by achieving better than average results within an acceptable level of risk over a minimum of a 3 to 5 year time horizon.

SPECIAL EVENTS

The special events revenue and the related direct expenses are as follows:

	2024		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Gibson Crab Feast	\$ 17,617	\$ 4,500	\$ 13,117
Black History Month	8,060		8,060
	<u>\$ 25,677</u>	<u>\$ 4,500</u>	<u>\$ 21,177</u>

CHESAPEAKE COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

RELATED PARTY

The Foundation was established to solicit support for Chesapeake College from the general public and the business community. The Foundation's Board of Directors periodically determines its support for various Chesapeake College programs, based upon the amount and type of support received.

The Foundation receives administrative support services and use of facilities from Chesapeake College. There are no charges for these services, and there are no long-term commitments for these services.

The following is a summary of transactions between the Foundation and the College as of and for the year ended June 30, 2024:

Contributions to the College:	
Scholarships	\$ 375,443
Other transfers	73,911
	<u>\$ 449,354</u>
In-kind services performed by the College for the Foundation	<u>\$ 191,209</u>
Due to the College	<u>\$ 293,108</u>

GIFTS-IN-KIND AND DONATED SERVICES

The Foundation receives donated services performed by the College for administrative services related to the Foundation record keeping, fundraising, and management. These services are valued based on the estimate of the fair market value of the service provided by the College using standard industry pricing for similar services. The total value of these donated services was \$191,209.

COMMITMENTS

The Foundation awards various scholarships to students that are due to the recipient once certain criteria are met after being awarded the scholarship. These criteria must be met within five years of being awarded the scholarship. If the criteria are not met and submitted, the previously awarded scholarship remains in the scholarship fund for future use. The total amount of scholarships that have been awarded but are not payable to the recipients as of June 30, 2024 was \$8,750.