

**SOWELA TECHNICAL COMMUNITY COLLEGE
FOUNDATION**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2021

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7
Report on Compliance with the Affiliation Agreement with Sowela Technical Community College	18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sowela Technical Community College Foundation
Lake Charles, Louisiana

Opinion

We have audited the accompanying financial statements of Sowela Technical Community College Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sowela Technical Community College Foundation as of December 31, 2021, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sowela Technical Community College Foundation 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.

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 Sowela Technical Community College Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Sowela Technical Community College Foundation'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 Sowela Technical Community College Foundation'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.

Other Report on Compliance with the Affiliation Agreement with Sowela Technical Community College

In accordance with attestation standards established by the *American Institute of Certified Public Accountants*, we have also issued our report dated October 2, 2023, on our examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. The purpose of that report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, that communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bruno & Tervalon, LLP

Lake Charles, Louisiana
October 2, 2023

BASIC FINANCIAL STATEMENTS

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

For the Year Ended December 31, 2021

ASSETS

Current Assets:

Cash and cash equivalents, unrestricted	\$	624,375
Accounts receivable, net		777
Unconditional pledges receivable, net		<u>165,250</u>
Total Current Assets		<u>790,402</u>

Noncurrent Assets:

Cash and cash equivalents, restricted		2,487,791
Investments		<u>1,556,425</u>
Total Noncurrent Assets		<u>4,044,216</u>
Total Assets	\$	<u>4,834,618</u>

LIABILITIES AND NET ASSETS

Liabilities:

Current Liabilities

Accounts payable	\$	12,468
Due to affiliate		<u>194,169</u>
Total Current Liabilities		<u>206,637</u>

Long-Term Liabilities

Amounts held in custody for others		<u>1,381,037</u>
Total Long-Term Liabilities		<u>1,381,037</u>

Total Liabilities

1,587,674

Net Assets:

Without donor restrictions		<u>299,924</u>
With donor restrictions		
Restricted by time or purpose		2,338,582
Perpetual in nature		<u>608,438</u>
Total with donor restrictions		<u>2,947,020</u>
Total Net Assets		<u>3,246,944</u>

Total Liabilities and Net Assets

\$ 4,834,618

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions received in current period	\$ 5,393	\$ 2,273,363	\$ 2,278,756
Donation of professional services	133,403	-	133,403
Miscellaneous revenue	20,149	967	21,116
Interest income	9,827	3,938	13,765
Investment income, net of expenses	505	3,629	4,134
Net realized & unrealized gains & losses	<u>-</u>	<u>31,568</u>	<u>31,568</u>
Total Revenue and Support	169,277	2,313,465	2,482,742
 Net Assets Released from Restrictions	1,944,507	(1,944,507)	-
 Functional Expenses:			
Program services	1,909,168	-	1,909,168
Supporting services	<u>225,099</u>	<u>-</u>	<u>225,099</u>
Total Functional Expenses	<u>2,134,267</u>	<u>-</u>	<u>2,134,267</u>
 Change in Net Assets	(20,483)	368,958	348,475
 Net Assets at Beginning of Year	<u>320,407</u>	<u>2,578,062</u>	<u>2,898,469</u>
 Net Assets At End of Year	<u>\$ 299,924</u>	<u>\$ 2,947,020</u>	<u>\$ 3,246,944</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

Cash flows from operating activities:	
Cash received from donations	\$ 2,694,880
Cash received from interest	14,270
Other cash received (paid)	20,150
Payments for scholarships	(610,980)
Payments for general college support	(13,524)
Payments for grants to community college	(1,252,554)
Cash paid for supplies and services	<u>(72,639)</u>
Net cash provided by (used in) operating activities	<u>779,603</u>
Cash flows from investing activities:	
Purchases of investment	(78,444)
Proceeds from sales & maturities of investments	<u>9,559</u>
Net cash provided by (used in) investing activities	<u>(68,885)</u>
Cash flows from financing activities:	
Contributions restricted for endowments	210,067
Increase in amounts held in custody for others	<u>42,523</u>
Net cash provided by (used in) investing activities	<u>252,590</u>
Net increase (decrease) in cash and cash equivalents	963,308
Cash and cash equivalents, beginning of year	<u>2,148,858</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,112,166</u></u>
Reconciliation of changes in net assets to cash provided by (used in) operating activities	
Change in net assets	\$ 348,475
Net realized & unrealized gain/loss on investment	(31,568)
Investment income, net of expenses	(3,629)
Contributions restricted for endowments	(210,067)
Increase in accounts receivable	627,723
Increase in deferred revenue	(2,500)
Increase to amounts held in custody	11,250
Decrease in accounts payable	7,808
Due affiliate	<u>32,111</u>
Cash provided by (used in) operating activities	<u><u>\$ 779,603</u></u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Supporting Services			Total Expenses	
	Program Services	Management and General	Fund Raising		Supporting Services
Administrative expenses	\$ -	\$ 40,643	1,840	\$ 42,483	\$ 42,483
Advertising & promotions	-	339	1,483	1,822	1,822
Board meeting expense	-	2,299	-	2,299	2,299
General college support	13,524	-	-	-	13,524
Grants to community college - academic scholarships	526,623	-	-	-	526,623
Grants to community college - academic programs	1,357,771	-	-	-	1,357,771
Legal & professional services	-	14,200	-	14,200	14,200
Miscellaneous expense	-	7,250	-	7,250	7,250
Professional services & supplies - donated	-	133,403	-	133,403	133,403
Software maintenance	-	12,073	-	12,073	12,073
Supplies	-	653	10,916	11,569	11,569
Transfer to college - Board of Regents match	11,250	-	-	-	11,250
Total Functional Expenses	<u>\$ 1,909,168</u>	<u>\$ 210,860</u>	<u>\$ 14,239</u>	<u>\$ 225,099</u>	<u>\$ 2,134,267</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements For the Year Ended December 31, 2021

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

SOWELA Technical Community College Foundation (the Foundation) was organized on October 21, 1991 and is affiliated with SOWELA Technical Community College. The Foundation is a nonprofit organization incorporated under the laws of the State of Louisiana for the purpose of raising funds to support programs and activities designed to advance, promote, or otherwise benefit SOWELA Technical Community College. The Foundation is supported primarily through contributions from the community of Southwest Louisiana.

The Foundation is exempt from federal and state income taxes as a charitable organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Foundation are qualified as charitable donations.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The FASB has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. As of December 31, 2021, the Foundation had \$299,924 in net assets without donor restriction.

Net Assets with Donor Restrictions - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. As of December 31, 2021, the Foundation's net assets with donor restrictions totaled \$2,947,020 and are restricted for funding professorships, scholarships, academic support and development, and institutional support programs specified by the donors.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents include cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less. However, cash and cash equivalents that are required by donors to be maintained permanently are classified with restricted cash.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Endowment Investments

The Foundation maintains pooled investment accounts for the majority of its endowments. Investment income and realized and unrealized gains and losses, net of investment and management fees, from securities in the pooled investment accounts are allocated at least quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts and are adjusted for additions to or deductions from those accounts.

Investments are stated at fair value as further discussed in Note 4. Investment returns include dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. In certain cases, investment managers report realized and unrealized gains and losses net of investment fees; accordingly, the Foundation has reported the net amount in unrealized and realized gains and losses in the accompanying statement of activities. Investment returns are reflected in the statement of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions on those earnings. Under the Foundation's spending policy, spending cannot exceed appreciation and interest earned from the investments.

The board of directors has interpreted state law as requiring the preservation of original corpus of the permanent endowment funds unless explicit donor stipulations specify how net appreciation must be used. The long-term objective of the Foundation's investment policy is to preserve the purchasing power of the net assets and maintain an average annual total return at or above the level of spending and fees. In addition, the investment program is expected to exceed a composite benchmark index comprised of market indices weighted in proportion to an asset allocation policy. Adequate liquidity shall be maintained to provide distributions as stipulated in the endowment agreement.

Pledges Receivable

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made.

Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met.

Contributions

Contributions are recognized when the donor makes a pledge to contribute to the Foundation that is, in substance, unconditional. 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 support with donor restrictions that increases that net asset class. When a temporary restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, or improvements that significantly prolong the useful lives of the assets are capitalized.

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at fair value at the date of the gift. 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 and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those 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 donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful life of assets. The class lives of the more significant items within each property classification are as follows:

Vehicles	5 years
Equipment	10 – 30 years
Furniture & Fixtures	15 – 30 years
Buildings	18 – 39 years

Compensated Absences

The Foundation relies on the donated services of the College’s employees for any work that needs to be performed; therefore, there are no compensated absences to report.

Amounts Held in Custody for Others

The Foundation holds and invests certain funds, including state matching funds and unexpended earnings on these funds, on behalf of SOWELA Technical Community College. All Amounts Held in Custody for Others are recorded at fair market value.

Functional Allocation of Expenses

The cost of providing the Foundation’s programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Tax Status

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations. However, the Foundation is subject to income tax on any unrelated business taxable income.

Since the Foundation had no unrelated business income for the year ended December 31, 2021, no provision for income taxes is included in the accompanying financial statements. Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Foundation is not classified as a private foundation.

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. Accordingly, actual results could differ from those estimates.

Note 2 – Cash and Cash Equivalents

As of December 31, 2021, cash and cash equivalents consisted of the following:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021, are:

Unrestricted	\$	624,375
Restricted:		
Amounts held in custody for others		39,781
Endowments		70,283
Restricted departmental gifts		1,937,800
Scholarships		<u>439,927</u>
Total restricted cash		<u>2,487,791</u>
Total cash and cash equivalents	\$	<u>3,112,166</u>

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021, are:

(The remainder of this page is intentionally left blank.)

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 3 – Liquidity and Availability (continued)

Financial Assets

Cash & Cash Equivalents	\$ 3,112,166
Accounts Receivable, net	777
Unconditional Pledges, net	165,250
Investments convertible to cash in the next 12 months	<u>1,556,425</u>
Total Financial Assets	<u>4,834,618</u>

Less amounts not available to meet general expenditures within one year

Receivables due beyond one year	(52,500)
Restricted by donor for future capital projects	(88,784)
Future expendable donor-restricted endowment	(93,351)
Portion of donor-restricted endowment to be retained in perpetuity	(608,438)
Amounts held in custody for others	<u>(1,381,037)</u>

Financial assets available to meet general expenditures within one year \$ 2,610,508

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 4 – Fair Value Measurements

The Foundation reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets.
 - quoted prices for identical or similar assets in markets that are not active.
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 4 – Fair Value Measurements (continued)

- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Foundation measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Foundation is required to measure at fair value (for example, unconditional promises to give and in-kind contribution).

The primary uses of fair value measures in the Foundation's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of short-term investments
- recurring measurement of endowment and long-term investments.

The Foundation has a number of financial instruments, none of which are held for trading purposes. The Foundation estimates that the fair value of all financial instruments as of December 31, 2021 do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Foundation on a recurring basis using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. The recorded values of cash and cash equivalents, certificates of deposit, and accrued expenses approximate their fair values based on their short-term nature.

The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Note 5 – Accounts Receivable

Accounts receivable are as follows on December 31, 2021:

Accounts receivable	\$	5,027
Allowance for uncollectible accounts		<u>(4,250)</u>
Accounts receivable, net	\$	<u>777</u>

Note 6 – Unconditional Pledges Receivable

Unconditional pledges receivable are due as follows on December 31, 2021:

<u>Expected to be collected in:</u>		
Less than one year	\$	113,250
One to five years		52,500
Greater than five years		-
Less: Allowance for uncollectible pledges		<u>(500)</u>
Total unconditional pledges receivables, net	\$	<u>165,250</u>

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 7 – Long-term Investments

The following table summarizes the levels in the fair value hierarchy of the Foundation’s long-term investments at December 31, 2021:

Description	Level 1	Level 2	Level 3	Total Fair Value
Exchange-traded Products	\$ 919,465	\$ 18,016	\$ -	\$ 937,481
Mutual Funds	403,157	129,303	-	532,460
Fixed Income Bonds	-	10,481	-	10,481
Hedge Funds	-	5,083	-	5,083
Other Alternative	9,384	2,587	-	11,971
Private Investments & Equity	-	41,938	-	41,938
Partnership Interests	-	1,016	-	1,016
Venture Capital	-	8,724	-	8,724
Real Estate Investment Trusts	-	7,271	-	7,271
Total Investments	<u>\$1,332,006</u>	<u>\$ 224,419</u>	<u>\$ -</u>	<u>\$ 1,556,425</u>

As discussed in note 4 to these financial statements, the Foundation is required to report its fair value measurements in one of the three levels, which are based on the ability to observe in the marketplace the inputs to the organization’s valuation techniques.

Note 8 – Property and Equipment

A summary of capital assets as of December 31, 2021, is as follows:

Automobiles	\$ 92,553
Less: accumulated depreciation	<u>(92,553)</u>
Property and Equipment, net	<u>\$ -</u>

All capital assets were fully depreciated as of the year ended December 31, 2019. Therefore, there was no depreciation expense for the year ended December 31, 2021.

Note 9 – Endowments

In order to create an ‘endowed fund’ with the Foundation, a donor must give a minimum initial gift as defined in the endowment agreement. The Foundation’s endowments consist of individual funds established for a variety of purposes. The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and providing a stable level of support to the beneficiaries. To achieve this objective, the Foundation’s asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility.

Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under an agreement with the College for the College’s benefit. These State matching endowed funds are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching funds program.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 9 – Endowments (continued)

A spending rate is determined by the Foundation’s Board of Directors on an annual basis, with consideration given to market conditions, the spending levels of peer institutions, and the level of real return after spending measured over the long term. The spending rate approved by the Board is applied to the three-year rolling average fair value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations.

Effective July 1, 2010, the Louisiana Legislature enacted Act No. 168 (the “Act”) to implement the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument.

In its interpretation of the law, the Foundation’s Board of Directors has determined that it is prudent for those funds with no donor restrictions to the contrary whose market value is more than corpus be made available for appropriation for expenditure within the provisions of the Board’s annual establishment of spending policy. The portion that has not been determined to be available for expenditure is considered by the Board to be funds of perpetual duration and is classified as Net Assets With Donor Restrictions – Perpetual in Nature. That portion that has been determined under relevant law by the Board to be available for appropriation is classified as Net Assets With Donor Restrictions – Restricted by Time or Purpose. In making such determination, the Board considered the following factors: the duration and preservation of the endowment fund; the purposes of the institution and the endowment fund; general economic conditions; the possible effect of inflation or deflation; expected total return from income and appreciation of investments; other resources of the institution; and the investment policy of the institution.

The Louisiana Board of Regents spending policy dictates that the market value of each endowment at the end of the most recent fiscal trust fund year must exceed the original corpus of the endowment by an amount equal to the amount to be made available for expenditure in the next fiscal year for which a spending allocation is made. When the current market value of each endowment is below the original corpus, no spending is allowed.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below corpus. Losses reduce the previous gains recognized in net assets with donor restrictions. When the net assets with donor restrictions are exhausted, the losses are reflected as a negative value within net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to corpus will be classified as an increase in net assets with donor restrictions to restore any losses claimed.

The following table includes the composition of endowment investments held by the Foundation, including pledges receivable and excluding amounts held in custody for others, as of December 31, 2021. All endowments are classified as donor restricted.

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 701,789	\$ 701,789

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

**Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2021**

Note 9 – Endowments (continued)

Changes in endowment investments held by the Foundation for the year ended December 31, 2021, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Restricted by Time or Purpose</u>	<u>Perpetual in Nature</u>	
Endowment net assets at December 31, 2020	\$ -	\$ 59,624	\$ 408,885	\$ 468,509
Investment income				
Investment income, net of expenses	-	7,567	-	7,567
Net realized and unrealized gains/(losses)	-	31,567	-	31,567
Total investment income	-	39,134	-	39,134
Additions	-	-	210,100	210,100
Transfer of Board of Regent matched funds	11,250	(703)	(10,547)	-
Reclassifications	(11,250)	-	-	(11,250)
Appropriation for expenditure	-	(4,704)	-	(4,704)
Endowment net assets at December 31, 2021	<u>\$ -</u>	<u>\$ 93,351</u>	<u>\$ 608,438</u>	<u>\$ 701,789</u>

Note 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31, 2021:

<u>Purpose Restriction:</u>		
Academic support – various departments	\$	1,848,402
Endowed scholarships		608,438
Scholarships		432,452
Unappropriated endowment earnings		57,728
Total restricted net assets	<u>\$</u>	<u>2,947,020</u>

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 10 – Net Assets With Donor Restrictions (continued)

Net assets were released from donor restrictions by satisfaction of the restricted purposes or by occurrence of other events specified by the donors as follows for the year ended December 31, 2021:

Grants to College – academic programs	\$	1,357,771
Grants to College – academic scholarships		526,623
Uncollectible pledges - restricted		35,623
Support for fundraising events		13,240
Endowment corpus additions		11,250
Total released from restriction	\$	<u>1,944,507</u>

Note 11 – Affiliation Agreement

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit SOWELA Technical Community College. Because of the close association of the Foundation with the College, an affiliation agreement was originally entered into by both parties on May 25, 2000, with a renewed agreement entered into on December 13, 2012. The renewed agreement will be valid until such a time as one of the parties terminates the agreement with 30 days written notice.

Note 12 – Related Parties

Pursuant to the affiliation agreement between the Foundation and SOWELA Technical Community College, the College provides certain personnel services and usage of space and equipment for Foundation operations. The value of these services was \$133,403 in the year ended December 31, 2021. The College donates the use of the facilities to the Foundation. The fair value of such use cannot be objectively determined. In return, the Foundation provides, solicits, and manages funds for the benefit of the College.

Note 13 – Board of Trustees Compensation

The Board of Trustees is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2021.

Note 14 – Concentrations of Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash and cash equivalents and investments. As of December 31, 2021, funds on deposit with various financial institutions exceeded available Federal Deposit Insurance Coverage (“FDIC”) by \$1,257,115. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

Note 15 – Contingencies

Amounts received may be restricted per donor specification. Failure by the Foundation to comply with donor specifications may result in the donor requesting that the contribution be returned. As of December 31, 2021, the Foundation has met all donor specifications on all restricted contributions, and accordingly, no provision has been made for any liabilities that might arise from noncompliance.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements (Continued) For the Year Ended December 31, 2021

Note 15 – Contingencies (continued)

The Foundation is supported by contributions from individuals as well as from local businesses. Contributions are fairly spread out among the local southwest Louisiana region; therefore, there is no concern of a concentration of risk from a few or small group of contributors or any one donor. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

Note 16 – Grants to SOWELA Technical Community College

Pursuant to the affiliation agreement between the Foundation and the College, which states in part “the purpose of the Foundation shall be to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the college”, the Foundation made grants to, or on behalf of, the College totaling \$1,884,394. The amount remaining as Due to Affiliate as of December 31, 2021, totaled \$194,169.

Note 17 – Amounts Held in Custody for Others

Amounts held in custody for others represent funds held by the Foundation on behalf of the College for long-term investment purposes. The fair value of these assets was \$1,381,037 as of December 31, 2021.

Note 18 – Subsequent Events

Management of the Foundation evaluated subsequent events and transactions for potential recognition of disclosure in the financial statements through October 2, 2023, the date which the financial statements were available to be issued.

Supplementary Information

**Report on Compliance with the Affiliation Agreement
with Sowela Technical Community College**

Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

We have examined Sowela Technical Community College Foundation's compliance with the affiliation agreement with the Sowela Technical Community College for the year ended December 31, 2021. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, Sowela Technical Community College Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2021.

This report is intended solely for the information and use of board members and management of the Sowela Technical Community College Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bruno & Tervalon, LLP

Lake Charles, Louisiana
October 2, 2023