



Financial Statements  
June 30, 2020 and 2019

# Great Basin College Foundation

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	3
Financial Statements	
Statements of Net Position.....	10
Statements of Revenues, Expenses, and Changes in Net Position .....	11
Statements of Cash Flows.....	12
Notes to Financial Statements .....	14



## Independent Auditor's Report

To Board of Trustees  
Great Basin College Foundation  
Elko, Nevada

### Report on the Financial Statements

We have audited the accompanying financial statements of Great Basin College Foundation, a component unit of Great Basin College, as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Great Basin College Foundation's basic financial statements listed in the table of contents.

### 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 the 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 from material misstatement.

An audit involves performing procedures to obtain 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 Great Basin College Foundation as of June 30, 2020 and 2019, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Elko, Nevada  
October 22, 2020

This section of Great Basin College Foundation's (the "Foundation") annual financial report presents our discussion and analysis of the Foundation's financial activity for the years ended June 30, 2020 and 2019. Please read it in conjunction with the accompanying financial statements and related footnotes. Foundation management has prepared these financial statements, footnotes, and discussion and analysis, and is responsible for the completeness and fairness of the information presented.

### Reporting Entity

Great Basin College Foundation is a nonprofit organization exempt from federal income taxes under Internal Revenue Code section 501(c)(3). The mission of the Foundation is to cultivate, steward and manage resources from our communities for the benefit of the students and programs of Great Basin College (the "College"). This is achieved primarily through donor cultivation and stewardship, management of fiscal resources, and promotion of the College's programs throughout the region. The Foundation receives donations from the private sector and disburses scholarships and other support directly to Great Basin College.

The Regents of the Nevada System of Higher Education ("NSHE") serve as members of the Foundation corporation. Because of the relationship between the Regents, the College, and the Foundation, the Foundation is considered a component unit of the College. Mr. Matt McCarty serves as the Foundation's Executive Director.

### Financial Highlights

- Due to financial pressure and ongoing budget cuts to higher education in Nevada, the Foundation reorganized beginning July 1, 2015. Support staff, including an administrative assistant and bookkeeping services for the Foundation, is provided by Great Basin College directly until July 1, 2020, when the Foundation will be responsible for providing the administrative assistant.
- With the significant change in personnel and support for the Foundation over the last several years, the Foundation concentrated on reengineering processes and developing strategic plans to help position the Foundation to be more nimble and cost efficient. The Foundation Board of Trustees approved exploring the possibility of developing a signature event which is intended to be a fundraiser to help cover the Foundation's operating expenses that are not covered by its management fees. The first event to this end was held in March 2019 and was moderately successful. Due to the COVID-19 pandemic, the event scheduled for March 2020 was cancelled.
- In the fiscal years ending June 30, 2016 through June 30, 2020, no major giving campaigns were conducted College-wide as the Foundation began to restructure its current organization, though a \$7 million campaign for a new Health Science and Technology Building in Winnemucca was successful. The Foundation had previously done two annual campaigns, one each in fiscal years 2017 and 2016, though one was not done in 2018. In the fourth quarter of fiscal year 2019 a new annual campaign, "Invest a Day's Pay" was initiated with minor success.
- Contributions in fiscal year ending June 30, 2020 were \$445,714 which is a decrease of \$7.3 million over the fiscal year ending June 30, 2019. The vast majority of this decrease in contributions can be attributed to the Winnemucca Health Science and Technology Building campaign contributions in FY19.

- Distributions to Great Basin College were \$874,408 in fiscal year ending June 30, 2020 which is an increase of \$58,000 over the fiscal year ending June 30, 2019. The Scholarship distributions that had previously been reduced due in part to a concerted effort to reduce the carry-over amounts held by the College were restored and initial payments on the Winnemucca Health Science and Technology Building were made.
- In the fiscal year ending June 30, 2016, the Board of Trustees authorized transferring most of the Foundation's endowments to NSHE in order to reduce the risk of managing a large portfolio, and to potentially increase returns on the investments and reduce expenses, as an audit would be required every other year. NSHE has full-time money managers to accomplish these goals. The endowment transfer to NSHE was completed in the third quarter of the fiscal year ending June 30, 2017, with all other funds held in CommonFund transferred in December 2018.

### Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis (this section), and the basic financial statements. The basic financial statements for the Foundation, along with a description of the information contained in each statement, are:

Statements of Net Position – provides a picture of the assets and liabilities of the Foundation at the end of its fiscal year, along with the difference between assets and liabilities, which is referred to as net position;

Statements of Revenues, Expenses, and Changes in Net Position – shows the revenues and expenses that resulted from the Foundation's operations during the fiscal year, regardless of when cash is received or paid, and how those results of operations affected net position of the Foundation; and

Statement of Cash Flows – presents a summary of cash balances at the beginning of the period, increases and decreases in cash during the period, and the balance of Foundation cash at the end of the period.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### Condensed Financial Information

A key question when looking at these financial statements is whether the Foundation's financial position has improved or deteriorated as a result of the year's operations. The *Statements of Net Position* and the *Statements of Revenues, Expenses, and Changes in Net Position* report information on the entity as a whole and on its activities in a way that helps answer that question. When revenues and other support exceed expenses and distributions, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between receipts and expenditures may be thought of as the Foundation's operating results.

In a traditional business entity, an increase in net position might generally be associated with an improved financial position. Conversely, a decrease in net position might indicate deterioration in financial position. These generalities are not necessarily the case for nonprofit organizations like the Foundation because of the nature of operations. Unlike a profit-oriented business entity, nonprofits such as the Foundation seek contributions with the intent of disbursing expendable funds over time in support of their mission.

Restricted net position refers to those funds that have constraints placed on their use by the donor. They include both nonexpendable and expendable amounts.

- Nonexpendable net position, often referred to as endowment, includes assets that the donor has specified may not be expended by the Foundation. Earnings and appreciation on these assets are generally expendable for restricted purposes and are included in the expendable category of net position.
- Expendable net position refers to amounts having constraints placed on their use by the donor but may be spent for a specified purpose at some time in the present or future.

Unrestricted net position includes amounts held by the Foundation that are not restricted by the donor. These amounts are available for operations of the Foundation or any of its programs. A comparison of the various condensed statements for this year and the two preceding years will help with an analysis of changes in net position, results of operations, and other measures of the Foundation's activities.

**Condensed Statements of Net Position  
June 30, 2020, 2019, and 2018**

	<b>(Audited) 2020</b>	<b>(Audited) 2019</b>	<b>(Reviewed) 2018</b>
Current and other assets	\$ 5,826,414	\$ 5,622,252	\$ 1,640,561
Noncurrent assets	10,688,133	11,496,930	8,137,654
<b>Total Assets</b>	<b>16,514,547</b>	<b>17,119,182</b>	<b>9,778,215</b>
Current liabilities	47,891	61,306	18,994
Net position:			
Restricted:			
Nonexpendable	4,736,459	4,639,649	4,508,879
Expendable	10,513,783	11,138,177	3,969,927
Unrestricted	1,216,414	1,280,050	1,280,415
<b>Total Net Position</b>	<b>\$ 16,466,656</b>	<b>\$ 17,057,876</b>	<b>\$ 9,759,221</b>

Current, other assets and noncurrent assets are primarily comprised of cash and investments. The Foundation has an investment policy for its endowment funds, both the expendable and nonexpendable portions, that provides for an allocation between equities and fixed income instruments. Expendable and unrestricted funds are held primarily in money market accounts and certificates of deposit based on cash flow needs.

The total assets increased in 2019 mainly due to contributions to the Winnemucca building fund and were carried over into FY20. Most of these related assets will be distributed to the College in FY21 and FY22.

Current liabilities are amounts due by the Foundation to others that had not been paid at the end of the period. In 2020, these amounts consist primarily of amounts owed to the College for accrued payroll liabilities and reimbursable campus enhancement maintenance costs supported by the Foundation's maintenance endowment.

Nonexpendable net position generally continues to increase as donors make contributions to endowment funds. These resources are generally required to be maintained in perpetuity, and only the income generated by the funds is expendable for the donor's specified purpose.

Expendable net position rises and falls over time, primarily due to the timing of contributions and the associated distribution of those resources to the College. The increase from 2020 and 2019 is primarily associated with increased restricted contributions to the Winnemucca Health Science and Technology Building and investment earnings for scholarships. Associated distributions of the expendable amounts will occur as pledges are satisfied and any donor-imposed conditions are met.

Unrestricted net position represents those funds over which the Foundation has full control. They are generated by unrestricted contributions, investment earnings on all resources except endowments and expendable funds, administrative fees assessed on certain restricted contributions, and management fees for endowment funds.

Overall, the financial position of the Foundation for long-term College support continues to be strong though unrestricted cash flows need to be improved immediately, as unrestricted cash flows helps fund salaries and other operating costs of the Foundation and more than 70% of unrestricted funds are currently designated. Bequests resulting from the Foundation's planned giving initiatives, although not predictable in nature, will continue to be a sustaining element of the Foundation's success.



**Condensed Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ended June 30, 2020, 2019 and 2018**

	<u>(Audited) 2020</u>	<u>(Audited) 2019</u>	<u>(Reviewed) 2018</u>
<b>Operating Revenues</b>			
Contributions	\$ 445,714	\$ 7,742,337	\$ 934,117
College support	57,367	53,939	17,854
Special events revenue, net	16,396	11,051	-
Other operating revenue	58,304	4,704	10,271
Total Operating Revenues	<u>577,781</u>	<u>7,812,031</u>	<u>962,242</u>
<b>Operating Expenses</b>			
Distributions to Great Basin College	874,408	758,323	820,456
Restricted program expenses	76,722	52,560	39,838
Administrative expenses	239,028	205,166	120,112
Total Operating Expenses	<u>1,190,158</u>	<u>1,016,049</u>	<u>980,406</u>
<b>Operating Income (Loss)</b>	(612,377)	6,795,982	(18,164)
<b>Nonoperating Gains (Losses)</b>			
Investment income (loss)	(74,258)	366,888	590,638
<b>Income (Loss) Before Additions to Endowments</b>	(686,635)	7,162,870	572,474
<b>Additions to Endowments</b>	95,415	135,785	126,726
<b>Increase (Decrease) in Net Position</b>	(591,220)	7,298,655	699,200
<b>Beginning Net Position</b>	<u>17,057,876</u>	<u>9,759,221</u>	<u>9,060,021</u>
<b>Ending Net Position</b>	<u>\$ 16,466,656</u>	<u>\$ 17,057,876</u>	<u>\$ 9,759,221</u>

Contributions which include amounts expected to be paid to the Foundation as a result of pledges, fluctuate primarily due to varying levels of activity in the Foundation's development programs and the unanticipated nature of bequests, many of which are unrestricted in nature. The increase from 2018 to 2019 and the subsequent decrease from 2019 to 2020 can be attributed almost exclusively to the Health Science and Technology Building in Winnemucca.

College support includes a provision for the value of office space provided by the College, and for the services of the Administrative Assistant, with the current arrangement scheduled to end June 30, 2020.

Special events revenue, net encompasses the Foundation's annual dinner dance, as well as other campus department fundraising that is administered through the Foundation's recordkeeping system. The difference between event revenues and associated expenses results in net revenue. In 2017 and 2018 the Elko dinner dance was not held, though the Board of Trustees reinstated the event for 2019. The Elko event was again scheduled for 2020, though the COVID-19 pandemic forced the cancelation of the event. The Winnemucca campus was able to hold its first dinner dance in November 2019, the net revenues are included in the special event revenue.

Support for the College is shown in Distributions to Great Basin College. These distributions typically include amounts for scholarships and program support. The increase from 2020 to 2019 of \$58,000 is mainly due to expenses related to the Winnemucca Health Science and Technology Building and resuming historical scholarship payments.

Administrative expenses include the cost of operating the Foundation. The most significant administrative expenses are staff payroll costs, some of which are provided by the College, and are reflected in College support. For the most recent fiscal year, the Director position was filled the entire year and the Administrative Assistant position was filled for approximately 9 months.

The 2020 Investment Income was not as robust as the earnings in 2018 and 2019, as the COVID-19 pandemic significantly impacted the earnings from March to June 2020, which resulted in an overall loss on investments for the entire year.

### **Economic Factors That Will Affect the Future**

The economic position of the Foundation is closely tied to that of Great Basin College and to the economic health of rural Nevada. The following is a list of identified conditions and events that will influence the Foundation's future financial condition:

- Northern Nevada is the nation's largest gold-producing region. Because of this, the local economy is impacted, to a significant degree, by the commodity price of gold. While the price of gold increased in 4Q20, mostly due to investors seeking to reduce the economic impacts of the COVID-19 pandemic, this increased price is not expected to result in increased support. In FY19 the two largest gold mining companies in Nevada merged nearly all their Nevada operations together into Nevada Gold Mines (NGM), resulting in an initial reduction in force. The joint venture is now operating as a single entity and mining positions which were directly impacted by scholarships previously are largely still in place. However, the reasoning for the merger was specifically one of cost savings. Additionally, the NGM management has stated that community giving must have a demonstrable impact either directly to NGM or to the community at large. The College has not traditionally done a good job of delivering feedback on the outcomes of areas impacted by donations from the mining sector. As such, creating a culture in which the College can demonstrate the benefit to NGM in hard data, rather than anecdotal data will take time and will most likely result in reduced contributions from the mining sector initially.

- The State of Nevada's budget continue to have significant impact on state funding for higher education. The 2017 changes to NSHE funding formula resulted in decreased College funding for the next biennium. The State's budget has been drastically reduced due to a variety of factors associated with the COVID-19 pandemic, further reducing the College's budget. Foundation resources have been pledged as a source of funding to close the budget gap and provide for dual-enrollment support, exhausting unrestricted reserves.
- The Foundation sponsored two workshops in the fiscal year ending June 30, 2019, one of which was a planned giving workshop. There are indications that the events were successful and will result in estate gifts through bequeaths in the future. However, again due to COVID-19, events planned in 2020 have been cancelled.
- Athletics continues to be a possibility for the College, which could result in some additional giving, along with additional Foundation contributions to the College. This initiative has been placed on hold due to the budget impacts and will most likely not be a consideration for the Foundation until FY22 or later.
- In October of 2017, the William N. Pennington Foundation pledged \$5 million towards a \$7 million Health Science and Technology Building in Winnemucca, Nevada. When the GBC Foundation raised an additional \$1.5 million, due in large part to a \$1 million pledge from the Humboldt General Hospital, The William N. Pennington Foundation increased their pledge to \$5.5 million. The cost of the building has since gone up and GBC Administration has indicated that additional funding has been secured. The Foundation has not yet received these additional pledges, though anticipates receiving them in FY21. Ground breaking for the new building has been pushed to calendar year 2021.

### **Requests for Information**

This report is designed to provide a general overview of Great Basin College Foundation's finances for all interested parties. Questions concerning the information contained in this report should be addressed to the Foundation Office, at P.O. Box 2056, Elko, Nevada 89803.

Great Basin College Foundation  
Statements of Net Position  
June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Unrestricted cash and cash equivalents	\$ 135,932	\$ 264,911
Restricted cash and cash equivalents	2,476,417	1,787,493
Unrestricted certificates of deposit	363,439	309,794
Restricted certificates of deposit	375,419	679,091
Current portion of contributions receivable, net	2,407,531	2,507,626
Investment earnings receivable - NSHE	67,470	73,131
Other current assets	206	206
	<b>5,826,414</b>	<b>5,622,252</b>
<b>Noncurrent Assets</b>		
Internal investment pool restricted - long-term investments	6,906,156	7,282,419
Restricted long-term investments	53,513	-
Internal investment pool unrestricted - long-term investments	694,375	713,827
Long-term portion of contributions receivable, net	3,034,089	3,500,684
	<b>10,688,133</b>	<b>11,496,930</b>
<b>Total noncurrent assets</b>	<b>10,688,133</b>	<b>11,496,930</b>
<b>Total assets</b>	<b>16,514,547</b>	<b>17,119,182</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	4,238	2,131
Due to College		
Accrued payroll liabilities	39,141	35,665
Other	4,512	23,510
	<b>47,891</b>	<b>61,306</b>
<b>Total current liabilities</b>	<b>47,891</b>	<b>61,306</b>
<b>Total liabilities</b>	<b>47,891</b>	<b>61,306</b>
<b>Net Position</b>		
<b>Restricted for</b>		
Nonexpendable	4,736,459	4,639,649
Expendable		
Scholarships and other program support	3,693,152	4,086,662
Building projects	6,820,631	7,051,515
Unrestricted	1,216,414	1,280,050
	<b>16,466,656</b>	<b>17,057,876</b>
<b>Total net position</b>	<b>\$ 16,466,656</b>	<b>\$ 17,057,876</b>

Great Basin College Foundation  
 Statements of Revenues, Expenses, and Changes in Net Position  
 Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Contributions	\$ 445,714	\$ 7,742,337
College support	57,367	53,939
Special events revenue, net	16,396	11,051
Other operating revenue	58,304	4,704
Total operating revenues	577,781	7,812,031
Operating Expenses		
Distributions to Great Basin College		
Scholarships	210,842	230,929
Building projects	112,974	14,064
Other	550,592	513,330
Restricted program expenses	76,722	52,560
Administrative expenses	239,028	205,166
Total operating expenses	1,190,158	1,016,049
Operating Income (Loss)	(612,377)	6,795,982
Nonoperating Gains (Losses)		
Investment income (loss)	(74,258)	366,888
Income (Loss) Before Additions to Endowments	(686,635)	7,162,870
Additions to Endowments	95,415	135,785
Increase (Decrease) in Net Position	(591,220)	7,298,655
Net Position		
Beginning of Year	17,057,876	9,759,221
End of Year	\$ 16,466,656	\$ 17,057,876

## Great Basin College Foundation

## Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from contributions	\$ 996,649	\$ 2,120,498
Receipts from special events, net	16,396	11,051
Receipts from other operations	58,304	4,704
Distributions to College	(858,653)	(694,754)
Payments for restricted program expenses	(76,722)	(52,560)
Payments to employees for services	(102,050)	(74,820)
Payments to vendors for goods and services	(93,026)	(34,095)
Net Cash from (used for) Operating Activities	<u>(59,102)</u>	<u>1,280,024</u>
Noncapital Financing Activities		
Additions to endowments	<u>42,665</u>	<u>135,785</u>
Investing Activities		
Interest and dividends on investments	27,567	8,841
Management and spending fees from NSHE earnings	301,609	258,350
Net sales (purchases) of certificates of deposits	245,000	(660,000)
Net sales (purchases) of investments	86,513	779,329
Transfer to internal investment pool	(84,307)	(940,869)
Net Cash from (used for) Investing Activities	<u>576,382</u>	<u>(554,349)</u>
Net Change in Cash and Cash Equivalents	559,945	861,460
Cash and Cash Equivalents, Beginning of Year	<u>2,052,404</u>	<u>1,190,944</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,612,349</u>	<u>\$ 2,052,404</u>
This Balance Consists of		
Unrestricted cash and cash equivalents	\$ 135,932	\$ 264,911
Restricted cash and cash equivalents	<u>2,476,417</u>	<u>1,787,493</u>
	<u>\$ 2,612,349</u>	<u>\$ 2,052,404</u>

Great Basin College Foundation  
 Statements of Cash Flows  
 Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of Operating Income (Loss) to Net		
Cash from Operating Activities		
Operating income (loss)	\$ (612,377)	\$ 6,795,982
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Changes in assets and liabilities		
Contributions receivable	566,690	(5,558,270)
Accounts payable	2,107	1,544
Due to College	(15,522)	40,768
	\$ (59,102)	\$ 1,280,024
Net Cash from (used for) Operating Activities		
Non-Cash Operating and Investing Activities		
In-kind contributions	\$ 15,755	\$ 63,569
Corporate bond donated to Foundation (endowed funds)	53,750	-
College support for Foundation employee costs	42,973	47,894
College support for Foundation postage	594	745
College support for Foundation office space	13,800	5,300
	\$ 126,872	\$ 117,508
Non-cash distributions made to College	\$ 15,755	\$ 63,569

**Note 1 - Summary of Significant Accounting Policies****Organization**

Great Basin College Foundation (the "Foundation") is a nonprofit corporation. The mission of the Foundation is to cultivate, steward and manage resources from our communities for the benefit of the students and programs of Great Basin College (the "College"). This is achieved primarily through donor cultivation and stewardship, management of fiscal resources, and promotion of the College's programs throughout the region. The Foundation receives donations from the private sector and disburses scholarships and other support directly to Great Basin College.

**Basis of Presentation**

The financial statements of the Foundation have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and reporting principles.

The Foundation is a component unit of the College as defined in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As such, the Foundation reports its financial activities and position using a single column enterprise fund presentation as described in GASB 34.

The College is one of eight institutions that comprise the Nevada System of Higher Education ("NSHE"). NSHE presents combined financial statements for its operations. As a component unit of the College, the Foundation is included in the combined discrete presentation of System Related Organizations in the NSHE financial statements.

**Basis of Accounting**

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The Foundation distinguishes the assets it holds based on intended use of resources as specified by the donor. Net assets used by the Foundation are aggregated by general type of limitation placed on the assets:

Restricted net position refers to those funds that have constraints placed on their use by the donor. They include both nonexpendable and expendable amounts.

Nonexpendable net position, often referred to as endowments, includes assets that the donor has specified may not be expended by the Foundation. Earnings and appreciation on these assets are generally expendable for restricted purposes, and are included in the expendable category of net position.

Expendable net position refers to amounts having time or purpose constraints placed on their use by the donor, but may be spent at some time, either in the present or future.



Unrestricted net position includes amounts held by the Foundation that are not restricted by donors. These amounts are available for operations of the Foundation or any of its programs.

The Foundation solicits contributions for Foundation operations and for specific program uses. When disbursements are made to the College for a specific program, funds restricted for that program are the first amounts used. If the College requests funds for a specific program that exceed the amount available by donor restriction, the Foundation Board of Trustees may consider using unrestricted funds to satisfy the request.

### **Recognition of Support and Revenue**

Contributions, gifts and promises to give are recognized as revenue when they are received or unconditionally promised. When a transfer of assets from a donor includes a conditional promise to contribute, such as the attainment of a targeted amount, the gift is classified as a refundable advance until the conditions have been substantially met. Contributions received are recorded as unrestricted or restricted, including both expendable and nonexpendable resources, depending on the existence and/or nature of any donor restrictions. Contributions receivable are generally determined to be collectible at the time they are recorded. No provision for uncollectible contributions were deemed necessary for the years ended June 30, 2020 and 2019.

### **Cash and Cash Equivalents**

The Foundation considers all highly liquid short-term interest bearing investments with an original maturity of three months or less to be cash equivalents.

### **Investments**

Investments are stated at fair value, and realized and unrealized gains and losses are included in Investment Income in the Statement of Revenues, Expenses, and Changes in Net Position. Fair value of Foundation investments is determined from quoted market prices. The majority of the restricted long-term investments are held by NSHE in their pooled endowment funds.

Although the Foundation is not limited by statute regarding the types of investments it may acquire, the Foundation investment policy states that the Foundation portfolio should have a diversified exposure to a balanced account of various asset classes including equities, fixed income instruments, and cash equivalents.

### **Donated Assets and Services**

Donated assets are reflected as contributions when received, and are recorded in the accompanying statements at their estimated value at date of receipt.

Donated volunteer services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the statements for donated volunteer services, since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time to the organization's operations and fundraising efforts.

Additionally, as described in Note 8, the College provides staffing, office space, and other costs for operations of the Foundation. These amounts are included in revenues as College Support, with the associated expense reflected in Administrative Expenses.

### **Income Taxes**

The Foundation is a nonprofit organization exempt from federal income taxes under Internal Revenue Code section 501(c)(3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. Accordingly, no liability for Federal income taxes has been provided in the financial statements.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Foundation's Form 990's are no longer subject to tax examination for years before 2017.

### **Operating and Nonoperating Revenues and Expenses**

Revenues and expenses are classified as operating if they result from providing services in connection with the Foundation's ongoing operations. The Foundation's operating revenues consist primarily of contributions received, college support, special events revenue, and administrative and management fees. Foundation operating expenses are those costs associated with donor cultivation and stewardship, special events, and general administration of Foundation activities. Restricted program expenses are those that relate directly to individual restricted funds, such as administrative and management fees, and expenses related to restricted property. Nonoperating revenues and expenses relate primarily to the income and gains and losses associated with investment activity of the Foundation.

### **Special Events**

Gross proceeds from special events have been netted by the related costs and expenses in the amount of \$16,396 and \$11,051 for the years ended June 30, 2020 and 2019, respectively.

### **Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

The Foundation has concentrated its credit risk by maintaining deposits of cash, cash equivalents, and investments in various institutions that may at times exceed amounts covered by insurance provided by either the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). The Foundation's investment policy restricts investments to those of high quality and credit standing. The Foundation has not experienced any losses related to such credit risks in their accounts and believes it is not exposed to any significant credit risk with respect to cash, cash equivalents, and investments.

**Note 2 - Cash and Investments**

The cash reflected in the Statement of Net Position is the carrying amount of deposits of the individual account's equity in the pooled cash balances. A summary schedule of cash and investments for the Foundation as of June 30, 2020 and 2019 follows:

	June 30, 2020		
	Unrestricted	Restricted	Total
Cash and money market funds	\$ 135,932	\$ 2,476,417	\$ 2,612,349
Certificates of deposit	363,439	375,419	738,858
Corporate bond	-	53,513	53,513
Internal Investment Pool - NSHE	694,375	6,906,156	7,600,531
Total cash and investments	<u>\$ 1,193,746</u>	<u>\$ 9,811,505</u>	<u>\$ 11,005,251</u>
	June 30, 2019		
	Unrestricted	Restricted	Total
Cash and money market funds	\$ 264,911	\$ 1,787,493	\$ 2,052,404
Certificates of deposit	309,794	679,091	988,885
Internal Investment Pool - NSHE	713,827	7,282,419	7,996,246
Total cash and investments	<u>\$ 1,288,532</u>	<u>\$ 9,749,003</u>	<u>\$ 11,037,535</u>

Restricted cash refers to the amount held as part of restricted net position, including both nonexpendable and expendable portions.

**Deposits**

The following is a list of cash, money market funds, and certificates of deposit indicating bank carrying amounts and collateral or insurance on those deposits:

	June 30, 2020	
	Carrying Amount	Bank Balance
Cash and Money Market Funds		
Insured, FDIC or SIPC	\$ 500,000	\$ 500,000
Uninsured and uncollateralized	2,112,349	2,136,917
	<u>\$ 2,612,349</u>	<u>\$ 2,636,917</u>
Certificates of Deposit		
Insured, Federal Deposit Insurance Corporation	<u>\$ 738,858</u>	<u>\$ 738,858</u>
	June 30, 2019	
	Carrying Amount	Bank Balance
Cash and Money Market Funds		
Insured, FDIC or SIPC	\$ 310,430	\$ 310,430
Uninsured and uncollateralized	1,741,974	1,786,750
	<u>\$ 2,052,404</u>	<u>\$ 2,097,180</u>
Certificates of Deposit		
Insured, Federal Deposit Insurance Corporation	<u>\$ 988,885</u>	<u>\$ 988,885</u>

**Investments**

The Foundation provides custodial credit risk disclosure requirements and establishes comprehensive disclosure requirements addressing other common risks associated with deposits and investments as required by GASB 40.

The Foundation is a participant in an internal investment pool managed by the Nevada System of Higher Education (NSHE). The internal investment pool's participants include other colleges within the NSHE system. Due to the nature of the internal investment pool, it is not possible to separately identify any specific investment as being that of the Foundation. The endowment fund investments held by NSHE are pooled on a unit market value basis. Each individual endowment fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The NSHE Board of Regents policies include the Statement of Investment Objectives and Policies for the Endowment Funds. The Board of Regents are responsible for establishing guidelines for the investments and they have established permitted asset classes and ranges. The Foundation's share of the NSHE internal investment pool is \$7,600,531 and \$7,996,246 as June 30, 2020 and 2019, respectively.

## Risk Categories

Interest Rate Risk – As a means of limiting exposure to fair value losses arising from rising interest rates, the Foundation’s investment policy for fiduciary funds (those of an unrestricted or a temporarily restricted nature) provides for short-term, intermediate-term, and long-term cash requirements. Short-term funds, required to be invested in securities with an average maturity of one year or less, are presently held in interest-bearing checking or savings accounts, or in certificates of deposit. Intermediate-term funds, which may be invested in fixed income securities generally having a maturity of three years or less, are currently invested in certificates of deposit with maturities of 18 months or less. Certificates of deposit are generally purchased in amounts less than \$250,000 per issuing institution, providing Federal Deposit Investment Corporation coverage for the full balance of certificates of deposit. Long-term funds may be invested in fixed income securities of longer maturities to enhance diversification and performance of the portfolio taken as a whole. NSHE’s policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities. With regard to trusts included in endowment investments, the NSHE System is not the trustee of these investments and therefore, it currently has no policies with regards to the interest rate risk for these investments.

Credit Risk – The Foundation’s investment policy provides for a target asset allocation of 35% to fixed income instruments. NSHE maintains a weighted average credit rating of AA or better, and never below A, for investments with credit risk within the internal investment endowment pool. With regard to the trusts in the internal investment endowment pool, NSHE is not the trustee of these investments, and; therefore, it currently has no policies with regard to credit risk for these investments.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the full value of investment or collateral securities that are in the possession of an outside party. The Foundation’s investment policy provides for a target asset allocation of 65% to equity investments, with an acceptable range of 55% to 75%. Equity holdings are generally restricted to high quality, readily marketable securities of corporations that are actively traded on the major stock exchanges, and are held either through mutual funds or by individual fund managers as custodians. These investments include uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent, but not in the entity’s name.

The Foundation’s maximum payout is a maximum of 4.5% for participating accounts, which includes a 1.5% management fee assessed by the Foundation to cover administrative costs associated with managing the pool. The maximum payout is calculated using an average unit market value for the previous twenty (20) calendar quarters. Each participant’s share is equal to the original investment, or corpus, plus or minus regular allocations of earnings, fees, and realized and unrealized gains or losses. NSHE does not have a policy with regard to custodial credit risk.

Concentration of Credit Risk - NSHE held internal investment pool has a policy for reducing its exposure to concentration of credit risk by limiting its investments with any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. NSHE does not have a specific policy for the remainder of the endowment pool. At June 30, 2020 and 2019, there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to NSHE.

### **Note 3 - Fair Value Measurements**

Statement No. 72 of the *GASB Fair Value Measurements and Application*, sets forth the 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 three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Foundation's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the Foundation's management. Foundation management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to Foundation management's perceived risk of that investment. The following is a description of the valuation methods and assumptions used by the Foundation to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Foundation management 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.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

The Foundations' investment holdings in accordance with the fair value hierarchy for June 30, 2020 and 2019 are as follows:

Investment Type	June 30, 2020			Total
	Level 1	Level 2	Level 3	
Corporate bonds	\$ 53,513	\$ -	\$ -	\$ 53,513
Internal Investment Pool - NSHE	n/a	n/a	n/a	7,600,531
				<u>\$ 7,654,044</u>
Investment Type	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Internal Investment Pool - NSHE	n/a	n/a	n/a	7,966,246
				<u>\$ 7,996,246</u>

**Note 4 - Contributions Receivable**

Contributions receivable for unrestricted and expendable restricted funds are recorded when the receivable amount is determined to be unconditional. Contributions are adjusted to present value based upon collection date in the accompanying financial statements. A discount rate of .25% was used for the year ending June 30, 2020 and 2.5% was used for the year ending June 30, 2019. Contributions for additions to endowment accounts are recorded when payments are received. The Foundation anticipates collection of substantially all contributions receivable, therefore no provision for uncollectible receivables has been made. Contributions receivable at June 30, 2020 and 2019 are for the following areas:

	2020	2019
Operating funds	\$ 6,980	\$ 600
Building funds	5,266,667	5,600,000
Other funds	370,000	464,720
Gross contribution receivable	5,643,647	6,065,320
Less present value discount	(202,027)	(57,010)
Net contribution receivable	\$ 5,441,620	\$ 6,008,310
Current portion	\$ 2,407,531	\$ 2,507,626
Long-term portion	3,034,089	3,500,684
Net contribution receivable	\$ 5,441,620	\$ 6,008,310

**Note 5 - Administrative and Management Fees**

To help cover the costs associated with managing these restricted accounts, the Foundation instituted a maximum allowable management fee of 1.5% to be assessed based on the account's average rolling market value of the previous 20 quarters. The assessment becomes part of unrestricted amounts utilized for administrative overhead costs of the Foundation. The annual management fee may be waived if the fund will drop below the corpus amount of the account.

When assessed, the fee is then transferred from the individual restricted accounts net position to unrestricted net position. During the period ending June 30, 2020 and 2019, the endowment management fee was assessed totaling \$98,730 and \$97,055, respectively.



**Note 6 - Endowments**

The Foundation holds two pools of endowment accounts. One account, as described in Note 7, is a required maintenance endowment that is invested and managed separately from other endowments. All other endowments held by the Foundation, most of which are restricted for scholarship and program funding, are combined in an internal investment pool. The corpus balances of all endowment accounts held by the Foundation at June 30, 2020 and 2019 total \$4,736,459 and \$4,639,649, respectively.

The Foundation Board of Trustees designated \$346,000 in unrestricted funds as part of the National Endowment for the Humanities Program, \$500,000 for Great Basin College Operations and \$31,555 for the Great Basin College Athletics Program. These designated amounts can increase in value as earnings are accumulated. Because governing boards do not have the authority to permanently restrict amounts received without donor restriction, future boards could re-designate these amounts at any time. Therefore, these amounts are considered as unrestricted net position. The portion of these amounts designated as endowments are invested with true endowments, but are maintained in separate accounting groups to appropriately reflect the nature of the assets. Additional contributions from donors that are restricted for these uses are classified as nonexpendable or expendable net assets in the Foundation's records, depending on the nature of the donor restriction.

The Foundation has used a total return policy to determine the amount of expendable accounts available on an annual basis. This method conservatively evaluated overall return on endowment investments, including interest and dividend income, as well as realized and unrealized gains or losses on the investments. The amount distributed from each endowment account was historically determined with a view toward preserving endowment assets while honoring the spirit of the donor's gift. The Foundation adopted a policy that distributions from endowment accounts for program purposes will not exceed 4.5% annually.

Net appreciation (depreciation) in endowment accounts, which total \$2,493,037 and \$2,825,345 at June 30, 2020 and 2019, respectively, is shown as part of expendable net position in the Statement of Net Position. Nevada Revised Statute ("NRS") section 164.667 states that "Subject to the intent of a donor expressed in the gift instrument and to subsection 4, an institution may 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 is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

**Note 7 - Campus Enhancement Project**

In 1998, the Foundation was awarded a \$4,540,000 grant from the Donald W. Reynolds Foundation for an enhancement project on the Great Basin College campus. The project included a clock tower, plaza, solarium, amphitheater, and landscaping. During the year ended June 30, 2003, the improvements were donated to the College at a total cost of \$4,827,459.

One condition of the Donald W. Reynolds Foundation grant required that the Foundation establish a \$908,000 endowment to generate funds for future maintenance of the campus enhancements. The endowment was established and these funds are invested with the Foundation's endowment long-term investments. On January 21, 2013, the Foundation received notification from the Donald W. Reynolds Foundation, indicating that the Foundation is a terminal foundation and will close on or before 2022. As a result the Donald W. Reynolds Foundation is simplifying the reporting requirements for the Campus Enhancement Project and all reporting requirements ceased as of February 28, 2019.

**Note 8 - Related Party Transactions**

Current liabilities included \$43,653 and \$59,175 due to Great Basin College at June 30, 2020 and 2019, respectively. These balances consisted primarily of reimbursements due for Campus Enhancement Project maintenance costs (see Note 7), and reimbursement of support staff payroll costs at June 30, 2020 and 2019.

The College provided the Foundation with the in-kind contribution of a support staff for the Foundation staff in the amount of \$42,973 and \$47,894 for the years ended June 30, 2020 and 2019, respectively.

The College provides office space and associated utility costs for the Foundation. The Foundation recorded \$13,800 and \$5,300 as in-kind contributions for office space for the years ended June 30, 2020 and 2019, respectively. The College also paid postage on behalf of the Foundation of \$594 and \$745 for the years ended June 30, 2020 and 2019, respectively.

The Foundation expended \$874,408 and \$758,323 in cash and in-kind contributions for programs, facilities, capital projects, and activities of the College during the years ended June 30, 2020 and 2019, respectively.

The Foundation invests the majority of their endowments with the Nevada System of Higher Education (NSHE). Investment earnings receivable from NSHE totaled \$67,470 and \$73,131 for the years ended June 30, 2020 and 2019, respectively. The Foundation transferred \$84,307 and \$940,869 in funds to NSHE to invest in their long-term investments during the year ended June 30, 2020 and 2019, respectively. See Note 2 for the investments held by the NSHE – Internal Investment Pool.

**Note 9 - Risk Management**

The Foundation is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Foundation has purchased commercial insurance policies from third parties for an employee dishonesty bond, office equipment, and for directors' and officers' liability coverage. There have been no claims associated with these risks for the past three years.

**Note 10 - Subsequent Events**

Management has evaluated subsequent events through October 22, 2020, which is the date these financial statements were available to be issued.

On August 18, 2020, the Trustees approved using up to \$82,600 in unrestricted funds to assist Great Basin College with covering the costs related to the College and Career Readiness (CCR) Grant, whose funding was impacted as the result of the coronavirus pandemic.

The proposed new Health Science and Technology Building at the Winnemucca Center continues to move forward. A total project cost estimate was received in August 2020 along with a revised project timeline. Under the new timeline, the project is scheduled to be completed in June 2022. The Great Basin College Foundation and William N. Pennington Foundation entered into a Grant Construction Agreement for \$5.5M in November 2018. The Foundation had received \$1 million from the Pennington Foundation. An updated and amended Grant Construction Agreement will be completed by December 2020. The Foundation received \$1 million from the Pennington Foundation in the prior fiscal year and the remaining pledge of \$4.5 million is recorded as part of pledges receivable at June 30, 2020.

**Investments**

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The Foundation's financial statements do not include adjustments to fair value that have resulted from these declines.

**General Operations**

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.