THE TYLER JUNIOR COLLEGE FOUNDATION

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021

THE TYLER JUNIOR COLLEGE FOUNDATION
AUGUST 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Tyler Junior College Foundation
Tyler, Texas

Opinion
We have audited the accompanying financial statements of the Tyler Junior College Foundation (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and cash flows for the years 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 The Foundation as of August 31, 2022 and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The 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 The Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 The 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 The 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.

Prothro, Wilhelmi & Company, PLLC

PROTHRO, WILHELMI, AND COMPANY, PLLC

Tyler, Texas
October 24, 2022

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,745,819	$ 743,258
Pledges receivable, net of allowance	1,200,880	675,721
Deferred expenses	1,316	1,787
Deferred construction costs	387,831	-
Deferred scholarships	865,176	759,722
Total current assets	4,201,022	2,180,488
Non-current assets:		
Pledges receivable, net of discount	2,467,191	3,066,745
Investments:		
Marketable securities	80,922,178	92,464,251
Funds held-in-trust	214,207	543,043
Annuity arbitrage	981,977	981,977
Charitable gift annuities	329,515	326,410
Real estate and mineral interests	848,947	605,624
Other investments	44,366	43,036
Total investments	83,341,190	94,964,341
Total non-current assets	85,808,381	98,031,086
Total assets	$ 90,009,403	$ 100,211,574
LIABILITIES AND NET ASSETS		
Current liabilities:		
Due to Tyler Junior College	$ 1,253,007	$ 759,722
Accounts payable	47,340	55,620
Accrued interest	15,344	28,119
Deferred revenue	75,212	92,120
Total current liabilities	1,390,903	935,581
Long-term liabilities:		
Line of credit	2,400,000	3,475,000
Total long-term liabilities	2,400,000	3,475,000
Total liabilities	3,790,903	4,410,581
Net assets:		
Without donor restrictions	13,745,145	28,159,766
With donor restrictions	72,473,355	67,641,227
Total net assets	86,218,500	95,800,993
Total liabilities and net assets	$ 90,009,403	$ 100,211,574

See accompanying notes and independent auditor's report.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions of cash and other financial assets	$ 92,473	$ 4,666,767	$ 4,759,240
Contributions of nonfinancial assets	12,800	230,158	242,958
Special events	132,298	-	132,298
Unrealized gain (loss) on investments	(13,679,082)	182,720	(13,496,362)
Realized gain	693,053	16,449	709,502
Investment income	2,523,048	210,381	2,733,429
Donor transfers in (out)	(3,589,303)	3,589,303	-
Total support and revenue	(13,814,713)	8,895,778	(4,918,935)
Net assets released from donor restrictions:			
Satisfaction of program restrictions	4,063,650	(4,063,650)	-
Total support, revenue, and net assets released from restrictions	(9,751,063)	4,832,128	(4,918,935)
EXPENSES			
Program	4,406,300	-	4,406,300
General and administrative	121,621	-	121,621
Fundraising	135,637	-	135,637
Total expenses	4,663,558	-	4,663,558
Change in net assets	(14,414,621)	4,832,128	(9,582,493)
NET ASSETS			
Balance, beginning of year	28,159,766	67,641,227	95,800,993
Balance, end of year	$ 13,745,145	$ 72,473,355	$ 86,218,500

See accompanying notes and independent auditor’s report.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Contributions of cash and other financial assets	$ 2,727	$ 2,710,862	$ 2,713,589
Contributions of nonfinancial assets	125,144	138,041	263,185
Special events	115,095	-	115,095
Unrealized gain (loss) on investments	9,699,009	10,194	9,709,203
Realized gain	3,327,208	54,950	3,382,158
Investment income	1,653,718	78,393	1,732,111
Income from change in estimate	144,932	-	144,932
Reimbursement from TJC	-	326,025	326,025
Donor transfers in (out)	(4,077,986)	4,077,986	-
Total support and revenue	10,989,847	7,396,451	18,386,298
Net assets released from donor restrictions:			
Satisfaction of program restrictions	8,450,318	(8,450,318)	-
Total support, revenue, and net assets released from restrictions	19,440,165	(1,053,867)	18,386,298
EXPENSES			
Program	8,924,976	-	8,924,976
General and administrative	123,066	-	123,066
Fundraising	124,187	-	124,187
Total expenses	9,172,229	-	9,172,229
Change in net assets	10,267,936	(1,053,867)	9,214,069
NET ASSETS			
Balance, beginning of year	17,891,830	68,695,094	86,586,924
Balance, end of year	$ 28,159,766	$ 67,641,227	$ 95,800,993

See accompanying notes and independent auditor’s report.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program	General & Administrative	Fundraising	Total Expenses
Accounting and professional services	$ -	$ 99,199	$ -	$ 99,199
Brokerage fees	309,357	-	-	309,357
Contract services	-	9,328	-	9,328
Special events	-	-	40,805	40,805
Insurance	-	5,459	-	5,459
Interest	-	-	94,832	94,832
Other awards	58,512	-	-	58,512
Other costs	-	2,641	-	2,641
Public relations and promotion	-	1,064	-	1,064
Real estate taxes	-	3,930	-	3,930
Scholarships	2,582,138	-	-	2,582,138
Support of Tyler Junior College	1,456,293	-	-	1,456,293
Total Expenses	$ 4,406,300	$ 121,621	$ 135,637	$ 4,663,558

See accompanying notes and independent auditor's report.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program	General & Administrative	Fundraising	Total Expenses
Accounting and professional services	$ -	$ 104,342	$ -	$ 104,342
Brokerage fees	328,335	-	-	328,335
Contract services	-	8,913	-	8,913
Special events	-	-	5,935	5,935
Insurance	-	3,291	-	3,291
Interest	-	-	118,252	118,252
Other awards	84,322	-	-	84,322
Other costs	-	2,874	-	2,874
Real estate taxes	-	3,646	-	3,646
Scholarships	2,304,239	-	-	2,304,239
Support of Tyler Junior College	6,208,080	-	-	6,208,080
Total Expenses	$ 8,924,976	$ 123,066	$ 124,187	$ 9,172,229

See accompanying notes and independent auditor's report.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (9,582,493)	$ 9,214,069
Contributions restricted by donors for permanent endowment	(1,174,648)	(753,540)
Contributions of nonfinancial assets	(242,958)	(263,185)
Realized and unrealized loss (gain) on investments	12,786,860	(13,091,361)
(Appreciation) depreciation in value of real estate and minerals	(243,323)	4,730
Bad debt expense	(1,518)	(144,932)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	75,913	607,344
Deferred expense	471	651
Deferred construction costs	(387,831)	564,595
Deferred scholarships	(105,454)	(164,939)
Charitable gift annuities	(3,105)	(3,105)
Other assets	(1,330)	(1,032)
Funds held in trust	328,836	(93,558)
Increase (decrease) in:		
Due to Tyler Junior College	493,285	(399,662)
Accounts payable	(8,280)	5,704
Accrued interest	(12,775)	28,119
Deferred revenue	(16,908)	5,275
Net cash provided by (used in) operating activities	1,904,742	(4,484,827)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	12,312,928	20,464,839
Purchase of investments	(13,314,757)	(20,616,816)
Net cash used in investing activities	(1,001,829)	(151,977)
CASH FLOW FROM FINANCING ACTIVITIES:		
Contributions received for permanent endowment	1,174,648	753,540
Proceeds from (payment on) construction line of credit	(1,075,000)	3,475,000
Net cash provided by financing activities	99,648	4,228,540
Net increase (decrease) in cash and cash equivalents	1,002,561	(408,264)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	743,258	1,151,522
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 1,745,819	$ 743,258

See accompanying notes and independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

The Tyler Junior College Foundation ("the Foundation") is a nonprofit corporation organized under the Texas Nonprofit Corporation Act. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to strengthen the higher educational resources of Texas by encouraging a program of benefactions to Tyler Junior College ("TJC").

BASIS OF ACCOUNTING

The Foundation's financial statements are presented in accordance with Accounting Standards Codification (ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements.* Under ASC No. 958, the Foundation is required to report information regarding its financial position and activities by class.

- Net Assets without Donor Restrictions are amounts currently available at the discretion of the Board for use in the Foundation's operations and those resources invested in equipment or real estate.
- Net Assets with Donor Restrictions are stipulated by donors for specific operation purposes or for the acquisition of equipment.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents principally include cash and money market investments not held by trustees. For the purposes of presentation in the statement of cash flows, the Foundation considers cash equivalents to be short-term, highly liquid instruments that are readily convertible to cash and have original maturities of three months or less.

For the years ended August 31, 2022 and 2021, all cash and cash equivalents are without donor restrictions.

PLEDGES RECEIVABLE

Unconditional promises to give are recognized as contribution revenue when pledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. It is the Foundation's internal policy that only those pledges with signed, multi-year agreements above $10,000 are recorded as receivables. Contributions other than cash are recorded at their estimated fair value.

The allowance for uncollectible amounts is based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. Currently, the Foundation maintains the allowance for uncollectible amounts at two percent of the discounted pledge receivable. Pledges receivable are discounted to net present value based upon an appropriate discount rate determined by management. Bad debt expense and the accretion of net present value affects net assets without donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFERRED EXPENSES, SCHOLARSHIPS, AND CONSTRUCTION COSTS

Deferred expenses are comprised of golf tournament costs paid prior to the period for which it relates. The golf tournament is an annual fundraising event held for the purpose of raising money for scholarships for TJC. Scholarships and construction costs to be paid to TJC that relate to future periods are recognized as deferred scholarships and deferred construction costs, respectively, and are offset by an equal liability to TJC.

MARKETABLE SECURITIES

All the Foundation's investments in marketable securities are with Goldman Sachs. Investments in marketable securities with readily determinable fair values are stated at fair value. Realized gains or losses on sales of investment securities are based upon the cost of the specific security sold. Unrealized gains and losses are included in the change in net assets. Income, realized, and unrealized gains and losses on investments of endowment and similar funds are reported as follows:

- As changes in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund or if the terms of the gift impose restrictions on the use of income; or,
- As changes in net assets without donor restrictions in all other cases.

FUNDS HELD-IN-TRUST

The Foundation is the beneficiary of two trusts. These trusts are recorded at fair value, and the underlying assets are included in the fair value measurement in Note 12. For one of the trusts, the income and related gains and losses are without donor restriction. For the other trust, the income and related gains and losses are restricted by the donor for a specific scholarship fund.

LIFE INSURANCE CONTRACTS

The Foundation is the primary beneficiary for three life insurance contracts. The Foundation records these life insurance contracts at their cash surrender value. One of the three life insurance contracts was structured as a charitable gift annuity by the donor to provide more favorable future payouts. The other two policies comprise other investments on the accompanying statements of financial position.

ANNUITY ARBITRAGE

In December 2019, the Foundation designated $1 million to establish sustained cash flows for the Promise Program by entering into an annuity arbitrage. An annuity arbitrage pairs an annuity with a life insurance policy to establish sustained cash flows that are not attached to the market and its related risks.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

ANNUITY ARBITRAGE – continued

The strategy employed to create an effective annuity arbitrage is to purchase an annuity with the highest payout available for principal allocated for the arbitrage. To offset the high cost of the annuity, a life insurance policy is also purchased with an equal or greater payout than the principal utilized to purchase the annuity. To achieve the maximum return, the highest annuity payout possible and the lowest life insurance premium possible are negotiated. The net effect of the annuity payout and the life insurance premium establishes sustained cash flows for the life of the annuitant. The principal invested in the annuity will be restored at the death of the annuitant by the payout of the life insurance policy. In effect, the arbitrage operates like a synthetic bond that matures at the death of the annuitant. The Foundation expects the annuity arbitrage to return four percent annually for the life of the annuitant.

REAL ESTATE AND MINERAL INTERESTS

Real estate donated to the Foundation is stated at fair market value at the time of the gift, and real estate purchased by the Foundation is stated at cost. Depreciation of the Foundation's real estate is not currently necessary because the Foundation's real estate portfolio consists solely of land. All land held at August 31, 2022 is considered a part of net assets without donor restrictions.

Mineral interests have been donated to the Foundation for the purpose of growing the endowment. These mineral interests are managed and valuated by Argent Mineral Management. The valuation of these interests is based upon a multiple of net revenues. Any income from these interests is restricted by the donors to grow the endowment.

DEFERRED REVENUE

Deferred revenue is comprised of golf tournament revenue received prior to the period for which it relates. The golf tournament is the annual fundraising event held for the purpose of raising money for scholarships for TJC.

LINE-OF-CREDIT AND MARGIN LOAN

In June 2019, the Foundation formalized an agreement with a local bank to open a construction line-of-credit. This line of credit had a 4.11% interest rate and matured in 2026. The Foundation paid interest quarterly. The maximum draw on this line-of-credit was $6,976,660 and was to be used to fund the construction of a new performing arts center for TJC. Pledges receivable were pledged as collateral against the line-of-credit and any interest accrued was paid from assets without donor restrictions. As of August 31, 2021, $3,475,000 was outstanding for the line-of-credit.

In January 2022, the Foundation formalized an agreement with Goldman Sachs to open a margin loan account for general construction purposes, which is reported on the statements of financial position within the line-of-credit. This margin loan was used to pay off the original construction line-of-credit to obtain a more favorable interest rate. This margin loan has a variable interest rate that has fluctuated between 1.14% and 3.40%. As of August 31, 2022, $2,400,000 was outstanding on the margin loan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PROMISE PROGRAM

In September 2016, the Foundation announced a scholarship program as an incentive for students in high school to attend college after graduation. The Promise Program is a six-year comprehensive program that spans from ninth grade through the first two years of college. The Promise Program encourages students within the TJC tax district to perform well academically in high school and college, while limiting the number of missed school days and promoting community service. Students who fulfill the Promise requirements receive support and encouragement to obtain a college degree or certificate from TJC.

The Promise Program covers tuition and fees for up to two years through a combination of federal grants to students, Foundation scholarships, and the TJC Promise. Scholarship funding specific to the Promise Program is awarded through a last-in model after federal and other Foundation scholarships are applied to tuition and fees. For the year ended August 31, 2022, total Foundation scholarships of $854,169 were awarded for students participating in the Promise Program. Actuarial projections indicate approximately $1.1 million will be spent on Promise Program scholarships for the year ending August 31, 2023.

TJC NOW

TJC NOW was temporarily refocused in response to the COVID-19 pandemic. The primary purpose of this program became providing support to TJC students facing obstacles and restrictions due to the pandemic. Initially. support to students from TJC NOW was focused on meeting the technology needs of students who were attending classes remotely. The TJC Foundation partnered with a local electronics retailer to provide discounted technology products to students taking advantage of the program. The original funds were expended for this purpose during 2020. The program was returned to its original purpose in 2021 with a limited mandate to support emergency and immediate needs of TJC students.

CONTRIBUTIONS

Contributions received or receivable are recorded as with or without donor restrictions depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions.

NAMING RIGHTS

The Foundation recognizes revenue from the sale of corporate naming rights when the performance obligations of having the project completed and publicly named are met. Corporate naming rights are generally paid annually over an agreed-upon period of time. The corporate naming rights typically last for a defined term, after which the corporate donor has the first right of refusal to extend its contract for the naming rights.

Buildings, plazas, or other projects named after individuals or private foundations are not considered naming rights and are, instead, considered philanthropic commemorations. Because the private donor does not receive commensurate value for their donation, the revenue is considered a contribution and is recognized as receivable upon formal pledge.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

CONTRIBUTED NONFINANCIAL ASSETS

The Foundation records various types of contributions of nonfinancial assets. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Non-specialized, unpaid volunteers conduct a portion of the Foundation's activities. The value of this contributed time is not reflected in the accompanying financial statements, since it does not meet the criteria for recognition under generally accepted accounting principles. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as contributed nonfinancial assets are offset by like amounts included in expenses as support to TJC or additions to real estate. See Note 13 for further detail regarding contributed nonfinancial assets.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles 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 support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

CHANGE IN ESTIMATE

During the fiscal year ended August 31, 2021, the Foundation reduced its allowance for doubtful accounts from five percent to two percent of pledges receivable, based on recent historical experience and an overall lack of true write-offs. The reduction in the Foundation's allowance for doubtful accounts resulted in a cumulative increase of $144,932 in net assets in the year ended August 31, 2021. The change in estimate is reported in the statement of activities of the year in which it occurred.

FEDERAL INCOME TAX STATUS

The Foundation is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation; therefore, no provision for income taxes has been made in the financial statements, but the Foundation is required to file an annual information tax return. The Foundation is also required to review various tax positions it has taken with respect to its exempt status and to determine whether in fact it is a tax-exempt entity. The Foundation must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, the Foundation must assess whether it has any tax positions associated with unrelated business income subject to income tax. The Foundation does not expect its positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the Foundation's accounting records.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

FEDERAL INCOME TAX STATUS – continued

The Foundation files US Federal Form 990 for informational purposes. Although exempt from Federal income taxes, the Foundation is subject to examination by tax authorities for a period of three years after the due date of the Foundation's Federal information return. There were no uncertain tax positions for which the Foundation believes a liability should be recorded as of August 31, 2022 and 2021.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In September 2020, the FASB issued ASU No. 2020-07, "Not-For-Profit Entities" (Topic 958): Presentation and Disclosures By Not-For-Profit Entities For Contributed Nonfinancial Assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. Under the new guidance, contributed nonfinancial assets, including food, used clothing and household items, supplies, pharmaceuticals, medical equipment, intangibles, contributed use of long-lived assets, and contributed services, are reported as a separate line item on the statement of activities, apart from contributions of cash and other financial assets.

The new standards require non-profit entities to disclose the total value recognized for each category of gifts-in-kind received in the notes to the financial statements. The total value should agree to the total value of gifts-in-kind recognized in the statement of activities. The following must be disclosed for each category:

- Qualitative information about whether the gift-in-kind was monetized (i.e., sold) or used during the reporting period. If it was used, also disclose a description of the programs or other activities in which the assets were used. A best practice is to use the same program or activity names in the disclosure that are used in the expense section of the statement of activities.
- The Foundation's policy, if applicable, regarding monetizing rather than using gifts-in-kind.
- A description of any donor-imposed restrictions associated with the gift-in-kind.
- A description of the valuation techniques and inputs used to arrive at the fair value measurement.
- The principal market (or most advantageous market) used to arrive at a fair value measurement if it is a market in which the Foundation is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

For contributed services, the disclosures above are in addition to the disclosures currently required for contributed services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

NEW ACCOUNTING GUIDANCE NOT YET ADOPTED

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- Lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so users can understand more about the nature of an entity's leasing activities. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Foundation does not currently have any leases, but it is evaluating the potential future impact of adopting this guidance on its financial statements.

NOTE 2 – RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net assets or changes in net assets.

NOTE 3 – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of August 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of August 31, 2022 and 2021, respectively:

	2022	2021
Financial assets, at year-end	$ 86,709,949	$ 97,319,421
Less those unavailable for general expenditures within one year, due to:		
Restrictions by donor	(72,473,355)	(67,641,227)
Charitable gift annuity	(329,515)	(326,410)
Pledge receivable due in more than one year	(2,467,191)	(3,066,745)
Board designations	(3,400,000)	(3,500,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,039,888	$ 22,785,039

As part of the Foundation's liquidity management, it has net assets without donor restrictions of $13,745,145 at August 31, 2022. Although the Foundation does not intend to spend the full amount of its net assets without donor restrictions on general expenditures within the next year, these amounts could be made available if considered necessary.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable, net, is summarized as follows as of August 31, 2022 and 2021:

	2022	2021
Pledges due within one year	$ 1,275,739	$ 752,098
Pledges due in one to five years	2,883,072	3,491,061
	4,158,811	4,243,159
Discount at present value at 5.428%	(415,881)	(424,316)
	3,742,930	3,818,843
Allowance for uncollectible pledges	(74,859)	(76,377)
Discounted pledges receivable, net	$ 3,668,071	$ 3,742,466

NOTE 5 – MARKETABLE SECURITIES

Marketable securities are reported at fair value, which is determined using the market valuations provided. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Marketable securities, reported at fair market value at August 31, 2022 and 2021 include the following:

	2022	2021
Money market	$ 1,743,300	$ 908,979
Common stock	6,732,576	7,691,576
Mutual funds	41,486,629	48,410,857
Corporate bonds	17,201,656	16,745,564
Federal bonds	12,249,377	17,611,057
Real estate investment trust	1,508,640	1,096,218
	$ 80,922,178	$ 92,464,251

NOTE 6 – REAL ESTATE AND MINERAL INTERESTS

Real estate and mineral interests amounted to $848,947 and $605,624 at August 31, 2022 and 2021, respectively. Real estate held for future use has been recorded at cost or at appraised value if contributed and consists of numerous parcels of land.

NOTE 7 – RESTRICTIONS ON NET ASSETS

The Foundation's net assets are comprised of the following:

	2022	2021
Net assets (deficits) without donor restrictions:		
Undesignated	$ 2,546,883	$ 1,265,464
Endowment, net of board designations	7,382,730	22,978,771
Real estate	415,532	415,531
Board designations	3,400,000	3,500,000
Total net assets without donor restrictions	13,745,145	28,159,766
Net assets (deficits) with donor restrictions for:		
Scholarships (includes marketable securities, funds held-in-trust, and oil and gas properties)	68,241,890	64,089,850
Student and campus enrichment	4,258,527	3,689,069
Performing arts complex	(356,863)	(407,077)
Band and Belles complex	698,967	-
Staff awards	269,775	269,775
Accumulated losses on endowment funds	(638,941)	(390)
Total net assets with donor restrictions	72,473,355	67,641,227
Total net assets	$ 86,218,500	$ 95,800,993

NOTE 8 – ENDOWMENTS

The Foundation's endowments consist of funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Foundation's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NOTE 8 – ENDOWMENTS - continued

Funds that are donor restricted, but not permanently endowed, are held in restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the duration and preservation of the fund and the purposes of the Foundation and the donor restricted endowment fund in deciding to appropriate or accumulate donor-restricted endowment funds.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are to be reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Investment Return Objectives, Risk Parameters, and Strategies
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide income for the benefit of TJC at a consistent level as adjusted for inflation annually but preserve principal.

To satisfy its long-term objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation with fixed income and equity-based investments to achieve its long-term return objectives within prudent risk constraints. Target asset allocations are set in its investment policy.

Spending Policy
The Foundation has set a spending cap of 4.07% and a floor of 0.00% of its endowment funds' earnings. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

From time to time, certain donor restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law ("underwater endowments"). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

NOTE 8 – ENDOWMENTS - continued

Endowment net asset composition by type of fund as of August 31, 2022 is as follows:

Endowment funds without donor restriction	$	7,382,730
Board designated endowment funds		3,400,000
Endowment funds with donor restriction		72,473,355
Total endowment funds	$	83,256,085

Endowment net asset composition by type of fund as of August 31, 2021 is as follows:

Endowment funds without donor restriction	$	22,978,771
Board designated endowment funds		3,500,000
Endowment funds with donor restriction		67,641,227
Total endowment funds	$	94,119,998

At August 31, 2021, a fund with an original gift value of $558,914, fair value of $558,525, and deficiency of $390 was reported in net assets with donor restrictions. No funds were appropriated from the underwater endowment fund during the year ended August 31, 2021. During the year ended August 31, 2022, the underwater endowment fund has a deficiency of $87,429.

At August 31, 2022, sixty-eight funds with original gift values of $11,610,859, fair values of $10,971,918, and deficiencies of $638,941 were reported in net assets with donor restrictions. During the year ended August 31, 2022, the Foundation appropriated $236,422 from underwater endowment funds.

Generally, recently-established endowment funds are at a greater risk of descending into underwater status in a downward market environment because they have not had the opportunity to grow over time. A majority of the underwater endowment funds at August 31, 2022 are recently-established endowment funds.

Changes in endowment net assets as of August 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance (9/1/21)	$ 26,478,771	$ 67,641,227	$ 94,119,998
Contributions	237,571	4,896,925	5,134,496
Investment return	3,216,101	226,830	3,442,931
Net appreciation (depreciation)	(13,679,082)	182,720	(13,496,362)
Expenditures	(599,908)	(4,063,650)	(4,663,558)
Other changes	(4,870,723)	3,589,303	(1,281,420)
Ending balance (8/31/22)	$ 10,782,730	$ 72,473,355	$ 83,256,085

NOTE 8 – ENDOWMENTS - continued

Changes in endowment net assets as of August 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance (9/1/20)	$ 12,228,950	$ 68,695,094	$ 80,924,044
Contributions	242,966	2,848,903	3,091,869
Investment return	4,980,926	133,343	5,114,269
Net appreciation (depreciation)	9,699,009	10,194	9,709,203
Expenditures	(721,911)	(8,450,318)	(9,172,229)
Other changes	48,831	4,404,011	4,452,842
Ending balance (8/31/21)	$ 26,478,771	$ 67,641,227	$ 94,119,998

NOTE 9 – INVESTMENT INCOME

Investment income, unrealized gains (losses), and realized gains (losses) on investments recognized during the years ended 2022 and 2021 were as follows:

	2022		
	Investment income (loss)	Unrealized gain (loss)	Realized gain (loss)
Brokerage account	$ 2,447,440	$ (13,554,534)	$ 694,111
Other	285,989	58,172	15,391
Total	$ 2,733,429	$ (13,496,362)	$ 709,502

	2021		
	Investment income (loss)	Unrealized gain (loss)	Realized gain (loss)
Brokerage account	$ 1,625,722	$ 9,592,245	$ 3,327,692
Other	106,389	116,958	54,466
Total	$ 1,732,111	$ 9,709,203	$ 3,382,158

Charitable gift annuities of $329,515 and $326,410 for 2022 and 2021, respectively, are reported at surrender value.

Funds held in trust are investments held by credible financial institutions. Under terms of the trusts, all distributions from the trusts go to the TJC Foundation for scholarships.

Other investment income includes oil and gas royalties of $86,683 and $38,019 for 2022 and 2021, respectively.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Foundation expended approximately $4,406,300 and $8,596,641 to TJC for scholarships, support, and awards in 2022 and 2021, respectively. TJC provides substantially all administrative staff and supplies to the Foundation at no cost. The Foundation incurs no payroll expense because it is managed by personnel employed and paid by TJC. The Foundation's obligation to TJC was $1,253,007 and $759,722 at August 31, 2022 and 2021, respectively.

NOTE 11 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposited in banks of $2,213,653 at August 31, 2022.

For the Foundation's demand deposits held with various banks, $1,963,631 was in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Risks related to amounts in excess of FDIC coverage are mitigated by maintaining deposits in only well-capitalized financial institutions.

NOTE 12 – FAIR VALUE MEASUREMENTS

The Foundation adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820). Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models, and similar techniques, but also may include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

NOTE 12 – FAIR VALUE MEASUREMENTS - continued

A description of the valuation methodologies used for assets measured as fair value as of August 31, 2022 and 2021 follows:

- Money market – valued at a net asset value ("NAV") of one dollar per share.
- Exchange traded funds – valued at the closing price reported on the active market in which the individual securities are traded.
- Common stock – valued at the closing price reported on the active market in which the individual securities are traded.
- Mutual funds – valued at the NAV of shares held at year end.
- Corporate bonds – valued based on yields currently available on comparable securities of issuers with similar credit ratings.
- Federal bonds – valued based on yields currently available on comparable securities of issuers with similar credit ratings.
- Common trust funds – valued at the NAV of shares held in the trust at year end.
- Oil and gas properties – valued at a multiple of five times the trailing 12-month net revenue from producing properties. Non-producing properties are not included in the estimation.
- Real estate – valued at the cost at time of purchase or, if contributed, at appraised value at time of donation.
- Life insurance contracts – valued at cash surrender value, which approximates fair value.

The Foundation's assets measured on a recurring basis at August 31, 2022 and 2021 are reported at fair value in the accompanying financial statements as follows:

	2022			
		Fair Value Measurements at the End of the Reporting Period Using		
	Total	(Level 1)	(Level 2)	(Level 3)
Money market	$ 1,763,014	$ 1,763,014	$ -	$ -
Common stock	6,904,716	6,904,716	-	-
Exchange traded funds	-	-	-	-
Mutual funds	41,508,884	41,508,884	-	-
Corporate bonds	17,201,656	-	17,201,656	-
Federal bonds	12,249,377	-	12,249,377	-
Real estate investment trust	1,508,640	-	1,508,640	-
Common trust funds	-	-	-	-
Oil and gas properties	433,514	-	-	433,514
Real estate	415,531	-	-	415,531
Life insurance contracts	1,355,858	-	-	1,355,858
Total	$ 83,341,190	$ 50,176,614	$ 30,959,673	$ 2,204,903

NOTE 12 – FAIR VALUE MEASUREMENTS - continued

	2021			
		Fair Value Measurements at the End of the Reporting Period Using		
	Total	(Level 1)	(Level 2)	(Level 3)
Money market	$ 913,963	$ 913,963	$ -	$ -
Common stock	7,867,442	7,867,442	-	-
Exchange traded funds	82,942	82,942	-	-
Mutual funds	48,487,395	48,487,395	-	-
Corporate bonds	16,745,564	-	16,745,564	-
Federal bonds	17,611,057	-	17,611,057	-
Real estate investment trust	1,096,218	-	1,096,218	-
Common trust funds	202,613	-	202,613	-
Oil and gas properties	190,193	-	-	190,193
Real estate	415,531	-	-	415,531
Life insurance contracts	1,351,423	-	-	1,351,423
Total	$ 94,964,341	$ 57,351,742	$ 35,655,452	$ 1,957,147

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2022	2021
Beginning balance	$ 1,957,147	$ 1,957,740
Gains (losses) realized and unrealized	247,756	(593)
Purchases, issuances, and settlements	-	-
Ending balance	$ 2,204,903	$ 1,957,147

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

The Foundation recognized contributed nonfinancial assets within revenue, which has included supplies, food and beverage, professional services, and land. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The Foundation's policy for contributed nonfinancial assets is to take each contribution on a case-by-case basis to key management for a decision based on its discretion, unless otherwise restricted by the donor or specified by the board of directors.

Contributed nonfinancial assets are generally utilized for a specific programmatic purpose or liquidated and invested into the endowment. Gifts of land or other real estate may be held by the Foundation or transferred to TJC if there is a specific use for the land.

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS – continued

For the year ended August 31, 2022, contributed nonfinancial assets recognized within the statement of activities included:

Asset Category	Revenue Recognized	Utilization in Program/Activities	Donor Restriction	Valuation Techniques and Inputs
Supplies	$ 154,155	Automotive Technology Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	4,600	Golf Tournament	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Food and Beverage	2,418	Golf Tournament	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	1,200	HVAC/Refrigeration Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	49,000	Music Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	18,785	Softball Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	600	General Support	No associated donor restriction	Valued based on the estimated fair value of the contributed nonfinancial asset.
Professional Services	12,200	General Support	No associated donor restriction	Valued based on the estimated fair value of the contributed nonfinancial asset.
	$ 242,958	Total Contributed Nonfinancial Assets		

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS – continued

For the year ended August 31, 2021, contributed nonfinancial assets recognized within the statement of activities included:

Asset Category	Revenue Recognized	Utilization in Program/Activities	Donor Restriction	Valuation Techniques and Inputs
Supplies	$ 3,350	Dance Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	15,987	Football Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	109,245	Surverying and Mapping Program	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Supplies	9,459	Employee Campaign	Donors restricted for program use	Valued based on the estimated fair value of the contributed nonfinancial asset.
Land	117,144	Transferred to TJC	No associated donor restriction	Valued based on the estimated fair value of the contributed nonfinancial asset.
Professional Services	8,000	General Support	No associated donor restriction	Valued based on the estimated fair value of the contributed nonfinancial asset.
	$ 263,185	Total Contributed Nonfinancial Assets		

NOTE 14 – JOINT COST ALLOCATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function; therefore, the expenses are allocated on the basis of estimates of time, effort, or other reasonable bases.

NOTE 15 – BOARD DESIGNATED NET ASSETS

In prior years, the Foundation's governing board voted and approved to designate, from net assets without donor restrictions, $3,000,000 to be used in support of the Promise Program and $500,000 to be used in support of TJC NOW. $100,000 of the TJC NOW designated funds were spent for approved purposes during the year ended August 31, 2022; therefore, the aggregate remaining board designated assets are $3,400,000 as of August 31, 2022. These funds designated by the board will remain designated for the purpose described unless the board obtains a majority vote to remove the designation from these funds or designate these funds for another purpose.

NOTE 16 – SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 740 "Subsequent Events," the Foundation evaluated events and transactions that occurred after the statement of financial position date, but before the financial statements were made available for issuance for potential recognition or disclosure in the financial statements.

The Foundation evaluated events related to significant areas through October 24, 2022 and noted no such subsequent events to be disclosed in the notes to the financial statements.