# THE TYLER JUNIOR COLLEGE FOUNDATION

## FINANCIAL STATEMENTS
## WITH INDEPENDENT AUDITORS' REPORT

## FOR THE YEARS ENDED
## AUGUST 31, 2023 AND 2022

**THE TYLER JUNIOR COLLEGE FOUNDATION**
**AUGUST 31, 2023 AND 2022**
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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, 2023 and 2022, 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, 2023 and 2022, 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.

PROTHRO, WILHELMI AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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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 25, 2023

**THE TYLER JUNIOR COLLEGE FOUNDATION**
**STATEMENTS OF FINANCIAL POSITION**
**AS OF AUGUST 31, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,671,246 | $ 1,745,819 |
| Pledges receivable, net of allowance | 405,439 | 1,200,880 |
| Deferred expenses | 8,429 | 1,316 |
| Deferred construction costs | 2,090,000 | 387,831 |
| Deferred scholarships | 733,830 | 865,176 |
| Total current assets | 5,908,944 | 4,201,022 |
| Non-current assets: | | |
| Pledges receivable, net of discount | 1,656,304 | 2,467,191 |
| Investments: | | |
| Marketable securities | 87,539,454 | 80,922,178 |
| Funds held-in-trust | 139,335 | 214,207 |
| Annuity arbitrage | 987,068 | 981,977 |
| Charitable gift annuities | 348,368 | 329,515 |
| Real estate and mineral interests | 545,200 | 848,947 |
| Other investments | 44,492 | 44,366 |
| Total investments | 89,603,917 | 83,341,190 |
| Total non-current assets | 91,260,221 | 85,808,381 |
| Total assets | $ 97,169,165 | $ 90,009,403 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Due to Tyler Junior College | $ 2,823,830 | $ 1,253,007 |
| Accounts payable | 48,067 | 47,340 |
| Accrued interest | 22,499 | 15,344 |
| Deferred revenue | 74,580 | 75,212 |
| Total current liabilities | 2,968,976 | 1,390,903 |
| Long-term liabilities: | | |
| Line of credit | 1,510,000 | 2,400,000 |
| Total long-term liabilities | 1,510,000 | 2,400,000 |
| Total liabilities | 4,478,976 | 3,790,903 |
| Net assets: | | |
| Without donor restrictions | 17,080,255 | 13,745,145 |
| With donor restrictions | 75,609,934 | 72,473,355 |
| Total net assets | 92,690,189 | 86,218,500 |
| Total liabilities and net assets | $ 97,169,165 | $ 90,009,403 |

See accompanying notes and independent auditor’s report.

# THE TYLER JUNIOR COLLEGE FOUNDATION
# STATEMENT OF ACTIVITIES
# FOR THE YEAR ENDED AUGUST 31, 2023

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Contributions of cash and other financial assets | $ 177,119 | $ 4,171,896 | $ 4,349,015 |
| Contributions of nonfinancial assets | 20,290 | 152,311 | 172,601 |
| Special events | 121,343 | - | 121,343 |
| Unrealized gain (loss) on investments | 5,758,118 | (103,990) | 5,654,128 |
| Realized gain | 47,628 | - | 47,628 |
| Investment income | 1,957,767 | 212,402 | 2,170,169 |
| Donor transfers in (out) | (3,656,465) | 3,656,465 | - |
| Total support and revenue | 4,425,800 | 8,089,084 | 12,514,884 |
| Net assets released from donor restrictions: | | | |
| Satisfaction of program restrictions | 4,952,505 | (4,952,505) | - |
| Total support, revenue, and net assets released from restrictions | 9,378,305 | 3,136,579 | 12,514,884 |
| **EXPENSES** | | | |
| Program | 5,378,851 | - | 5,378,851 |
| General and administrative | 490,342 | - | 490,342 |
| Fundraising | 174,002 | - | 174,002 |
| Total expenses | 6,043,195 | - | 6,043,195 |
| Change in net assets | 3,335,110 | 3,136,579 | 6,471,689 |
| **NET ASSETS** | | | |
| Balance, beginning of year | 13,745,145 | 72,473,355 | 86,218,500 |
| Balance, end of year | $ 17,080,255 | $ 75,609,934 | $ 92,690,189 |

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 | $ 93,073 | $ 4,666,167 | $ 4,759,240 |
| Contributions of nonfinancial assets | 12,200 | 230,758 | 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 | 4,096,943 | - | 4,096,943 |
| General and administrative | 429,914 | - | 429,914 |
| Fundraising | 136,701 | - | 136,701 |
| 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 FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED AUGUST 31, 2023**

| | Program | General & Administrative | Fundraising | Total Expenses |
|---|---|---|---|---|
| Accounting and professional services | $ - | $ 80,788 | $ - | $ 80,788 |
| Brokerage fees | - | 380,855 | - | 380,855 |
| Contract services | - | 11,474 | - | 11,474 |
| Special events | - | - | 49,316 | 49,316 |
| Insurance | - | 6,384 | - | 6,384 |
| Interest | - | - | 121,486 | 121,486 |
| Other awards | 31,779 | - | - | 31,779 |
| Other costs | - | 2,863 | - | 2,863 |
| Public relations and promotion | - | - | 3,200 | 3,200 |
| Real estate taxes | - | 7,978 | - | 7,978 |
| Scholarships | 3,282,990 | - | - | 3,282,990 |
| Support of Tyler Junior College | 2,064,082 | - | - | 2,064,082 |
| **Total Expenses** | $ 5,378,851 | $ 490,342 | $ 174,002 | $ 6,043,195 |

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** | $ 4,096,943 | $ 429,914 | $ 136,701 | $ 4,663,558 |

See accompanying notes and independent auditor's report.

# THE TYLER JUNIOR COLLEGE FOUNDATION
## STATEMENTS OF CASH FLOW
## FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | $ 6,471,689 | $ (9,582,493) |
| Contributions restricted by donors for permanent endowment | (2,973,878) | (1,174,648) |
| Contributions of nonfinancial assets | (172,601) | (242,958) |
| Realized and unrealized loss (gain) on investments | (5,701,756) | 12,786,860 |
| (Appreciation) depreciation in value of real estate and minerals | 303,747 | (243,323) |
| Bad debt expense | (32,783) | (1,518) |
| Change in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Pledges receivable | 1,639,111 | 75,913 |
| Deferred expense | (7,113) | 471 |
| Deferred construction costs | (1,702,169) | (387,831) |
| Deferred scholarships | 131,346 | (105,454) |
| Annuity arbitrage | (5,091) | - |
| Charitable gift annuities | (18,853) | (3,105) |
| Other assets | (126) | (1,330) |
| Funds held in trust | 74,872 | 328,836 |
| Increase (decrease) in: | | |
| Due to Tyler Junior College | 1,570,823 | 493,285 |
| Accounts payable | 727 | (8,280) |
| Accrued interest | 7,155 | (12,775) |
| Deferred revenue | (632) | (16,908) |
| Net cash provided by (used in) operating activities | (415,532) | 1,904,742 |
| **CASH FLOW FROM INVESTING ACTIVITIES:** | | |
| Proceeds from sale of investments | 12,387,215 | 12,312,928 |
| Purchase of investments | (13,130,134) | (13,314,757) |
| Net cash used in investing activities | (742,919) | (1,001,829) |
| **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Contributions received for permanent endowment | 2,973,878 | 1,174,648 |
| Payments on construction line of credit | (890,000) | (1,075,000) |
| Net cash provided by financing activities | 2,083,878 | 99,648 |
| Net increase (decrease) in cash and cash equivalents | 925,427 | 1,002,561 |
| **CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR** | 1,745,819 | 743,258 |
| **CASH AND CASH EQUIVALENTS, AT END OF YEAR** | $ 2,671,246 | $ 1,745,819 |
| **SUPPLEMENTAL CASH FLOW INFORMATION:** | | |
| Cash paid for interest | $ 114,331 | $ 107,607 |

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, 2023 and 2022, 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 students. 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

At the beginning of fiscal year 2023, the Foundation was the beneficiary of two trusts. During the fiscal year, one trust was liquidated and the assets were invested into the investment pool. The remaining trust is recorded at fair value, and the underlying assets are included in the fair value measurement in Note 12. The income and related gains and losses are without donor restriction.

### 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, 2023 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 valued 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.

### ALTERNATIVE INVESTMENTS

The Foundation's board has elected to diversify the portfolio by investing in strategic alternative investments, including private equity investments focused on real estate and infrastructure. Alternative investments are recorded at net asset value based on the most recent capital statement value, plus or minus net contributions and distribution to the investment since the date of the last capital statement.

### 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 students.

### 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 was scheduled to mature in 2026. The Foundation paid interest quarterly. The maximum draw on this line-of-credit was $6,976,660 and was 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### LINE-OF-CREDIT AND MARGIN LOAN - continued

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 as a 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 6.41%. As of August 31, 2023, $1,510,000 was outstanding on the margin loan.

### 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, 2023, total Foundation scholarships of $1,116,149 were awarded for students participating in the Promise Program. Actuarial projections indicate approximately $1.17 million will be spent on Promise Program scholarships for the year ending August 31, 2024.

### 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 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.

**REVENUE RECOGNITION**

The Foundation recognizes revenue according to the Financial Accounting Standard Board's ("FASB") Accounting Standards Codification ("ASC") Topic 606 Revenue Recognition ("ASC 606"). ASC 606 provides guidelines for presenting and disclosing revenue from contracts with customers, including revenue that is expected to be recognized. In addition, the Foundation has adopted ASU No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Foundation also adopted ASU No. 2018-08 which clarifies the items addressed in ASU No. 2014-09.

Revenue from contributions, which apart from any bifurcation required due to exchange-like portions for the contribution, are excluded from the application of ASU No. 2014-09. The revenues at the Foundation that constitute a contract under ASC 606 are revenues for special events and corporate naming rights. Currently, the naming of the scoreboard is the only corporate naming right. Refer to Note 16.

**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.

**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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### 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.

### 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.

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, 2023 and 2022.

### RECENTLY ADOPTED ACCOUNTING STANDARDS

*Leases – Change in Accounting Principle*

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842), which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following ASUs, which amend and clarify *Topic 842:* ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842;* ASU 2018-11, *Leases (Topic 842): Targeted Improvements;* ASU 2018-20, *Narrow-scope Improvements for Lessors;* and ASU 2019-01, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities.* The most significant change in the new leasing guidance is the requirement to recognize a right of use ("ROU") asset and lease liabilities on the statement of financial position. The Foundation elected to adopt these ASUs effective September 1, 2022 and utilized all of the available expedients. The adoption did not have an effect on the Foundation's statement of financial position or statement of activities.

## 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, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of August 31, 2023 and 2022, respectively:

| | 2023 | 2022 |
|---|---|---|
| Financial assets, at year-end | $ 92,665,303 | $ 86,709,949 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Restrictions by donor | (75,609,934) | (72,473,355) |
| Charitable gift annuity | (348,368) | (329,515) |
| Pledge receivable due in more than one year | (1,656,304) | (2,467,191) |
| Board designations | (3,000,000) | (3,400,000) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 12,050,697 | $ 8,039,888 |

As part of the Foundation's liquidity management, it has net assets without donor restrictions of $17,080,255 at August 31, 2023. 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, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Pledges due within one year | $ 447,515 | $ 1,275,739 |
| Pledges due in one to five years | 1,890,061 | 2,883,072 |
| | 2,337,576 | 4,158,811 |
| Discount at present value at 5.221% | (233,757) | (415,881) |
| | 2,103,819 | 3,742,930 |
| Allowance for uncollectible pledges | (42,076) | (74,859) |
| Discounted pledges receivable, net | $ 2,061,743 | $ 3,668,071 |

## 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, 2023 and 2022 include the following:

| | 2023 | 2022 |
|---|---|---|
| Money market | $ 1,060,711 | $ 1,743,300 |
| Common stock | 4,879,969 | 6,732,576 |
| Mutual funds | 47,155,259 | 41,486,629 |
| Corporate bonds | 19,882,880 | 17,201,656 |
| Federal bonds | 12,986,637 | 12,249,377 |
| Alternative investments | 1,573,998 | 1,508,640 |
| | $ 87,539,454 | $ 80,922,178 |

## NOTE 6 – REAL ESTATE AND MINERAL INTERESTS

Real estate and mineral interests amounted to $545,200 and $848,947 at August 31, 2023 and 2022, 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:

| | 2023 | 2022 |
|---|---|---|
| Net assets (deficits) without donor restrictions: | | |
| Undesignated | $ 1,712,765 | $ 2,546,883 |
| Endowment, net of board designations | 12,132,961 | 7,382,730 |
| Real estate | 234,529 | 415,532 |
| Board designations | 3,000,000 | 3,400,000 |
| Total net assets without donor restrictions | 17,080,255 | 13,745,145 |
| Net assets (deficits) with donor restrictions for: | | |
| Scholarships (includes marketable securities, funds held-in-trust, and oil and gas properties) | 70,917,857 | 68,220,366 |
| Student and campus enrichment | 4,275,813 | 4,280,051 |
| Performing arts complex | (275,896) | (356,863) |
| Band and Belles complex | 718,180 | 698,967 |
| Staff awards | 269,775 | 269,775 |
| Accumulated losses on endowment funds | (295,795) | (638,941) |
| Total net assets with donor restrictions | 75,609,934 | 72,473,355 |
| Total net assets | $ 92,690,189 | $ 86,218,500 |

## 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' periodic average market value. 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, 2023 is as follows:

| | | |
|---|---|---|
| Endowment funds without donor restriction | $ | 12,132,961 |
| Board designated endowment funds | | 3,000,000 |
| Endowment funds with donor restriction | | 75,609,934 |
| Total endowment funds | $ | 90,742,895 |

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 |

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.

At August 31, 2023, forty-six funds with original gift values of $8,282,839, fair values of $7,987,044, and deficiencies of $295,795 were reported in net assets with donor restrictions. During the year ended August 31, 2023, the Foundation appropriated $233,356 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, 2023 are recently-established endowment funds.

Changes in endowment net assets as of August 31, 2023 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Beginning balance (9/1/22) | $ 10,782,730 | $ 72,473,355 | $ 83,256,085 |
| Contributions | 318,752 | 4,324,207 | 4,642,959 |
| Investment return | 2,005,395 | 212,402 | 2,217,797 |
| Net appreciation (depreciation) | 5,758,118 | (103,990) | 5,654,128 |
| Expenditures | (1,090,690) | (4,952,505) | (6,043,195) |
| Other changes | (2,641,344) | 3,656,465 | 1,015,121 |
| Ending balance (8/31/23) | $ 15,132,961 | $ 75,609,934 | $ 90,742,895 |

## NOTE 8 – ENDOWMENTS - continued

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 9 – INVESTMENT INCOME

Investment income, unrealized gains (losses), and realized gains (losses) on investments recognized during the years ended 2023 and 2022 were as follows:

| | 2023 | | |
|---|---|---|---|
| | Investment income (loss) | Unrealized gain (loss) | Realized gain (loss) |
| Brokerage account | $ 1,798,734 | $ 5,902,760 | $ (87,810) |
| Other | 371,435 | (248,632) | 135,438 |
| Total | $ 2,170,169 | $ 5,654,128 | $ 47,628 |

| | 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 |

Charitable gift annuities of $348,368 and $329,515 for 2023 and 2022, 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 $62,134 and $86,683 for 2023 and 2022, respectively.

## NOTE 10 – RELATED PARTY TRANSACTIONS

The Foundation expended approximately $5,378,851 and $4,096,943 to TJC for scholarships, support, and awards in 2023 and 2022, 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 $2,823,830 and $1,253,007 at August 31, 2023 and 2022, 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 $2,953,055 at August 31, 2023.

For the Foundation's demand deposits held with various banks, $2,452,974 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, 2023 and 2022 follows:

- Money market – valued at a net asset value ("NAV") of one dollar per share.
- 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. Mutual funds are measured at daily NAV with open market availability.
- 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.
- 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 uses net asset value per unit without further adjustment as provided by external investment managers as the practical expedient estimate of the fair value of its alternative investments. Accordingly, such values may differ from values that would have been used had an active market for the investments existed. Alternative investments currently held and measured using net asset value per unit are not eligible for redemption and, accordingly, have no requirement for a redemption notice period.

The Foundation's assets measured on a recurring basis at August 31, 2023 and 2022 are reported at fair value in the accompanying financial statements as follows:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Measurements at the End of the Reporting Period Using | | | |
| | Total | (Level 1) | (Level 2) | (Level 3) | NAV |
| Money market | $ 1,062,728 | $ 1,062,728 | $ - | $ - | $ - |
| Common stock | 5,000,310 | 5,000,310 | - | - | - |
| Mutual funds | 47,172,236 | 47,172,236 | - | - | - |
| Corporate bonds | 19,882,880 | - | 19,882,880 | - | - |
| Federal bonds | 12,986,637 | - | 12,986,637 | - | - |
| Oil and gas properties | 310,671 | - | - | 310,671 | - |
| Real estate | 234,529 | - | - | 234,529 | - |
| Life insurance contracts | 1,379,928 | - | - | 1,379,928 | - |
| Total investments within fair value heirarchy | 88,029,919 | 53,235,274 | 32,869,517 | 1,925,128 | - |
| Investments measured at net asset value: | | | | | |
| Alternative investments | 1,573,998 | - | - | - | 1,573,998 |
| Total investments | $ 89,603,917 | $ 53,235,274 | $ 32,869,517 | $ 1,925,128 | $ 1,573,998 |

## NOTE 12 – FAIR VALUE MEASUREMENTS - continued

| | 2022 | | | | |
|---|---|---|---|---|---|
| | | Fair Value Measurements at the End of the Reporting Period Using | | | |
| | Total | (Level 1) | (Level 2) | (Level 3) | NAV |
| Money market | $ 1,763,014 | $ 1,763,014 | $ - | $ - | $ - |
| Common stock | 6,904,716 | 6,904,716 | - | - | - |
| Mutual funds | 41,508,884 | 41,508,884 | - | - | - |
| Corporate bonds | 17,201,656 | - | 17,201,656 | - | - |
| Federal bonds | 12,249,377 | - | 12,249,377 | - | - |
| Oil and gas properties | 433,514 | - | - | 433,514 | - |
| Real estate | 415,531 | - | - | 415,531 | - |
| Life insurance contracts | 1,355,858 | - | - | 1,355,858 | - |
| Total investments within fair value heirarchy | 81,832,550 | 50,176,614 | 29,451,033 | 2,204,903 | - |
| Investments measured at net asset value: | | | | | |
| Alternative investments | 1,508,640 | - | - | - | 1,508,640 |
| Total investments | $ 83,341,190 | $ 50,176,614 | $ 29,451,033 | $ 2,204,903 | $ 1,508,640 |

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

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | $ 2,204,903 | $ 1,957,147 |
| Gains (losses) realized and unrealized | (279,775) | 247,756 |
| Purchases, issuances, and settlements | - | - |
| Ending balance | $ 1,925,128 | $ 2,204,903 |

## 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, 2023, 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 | 1,547 | Golf Tournament | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Food and Beverage | 1,976 | Golf Tournament | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 1,358 | HVAC/Refrigeration Program | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 66,480 | Ophthalmic Medical Assisting Program | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 1,300 | Theater Program | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 56,000 | Respiratory Care Program | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 23,250 | Surveying and Mapping Program | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 400 | Tri-My-Best Triathalon | Donors restricted for program use | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Supplies | 790 | General Support | No associated donor restriction | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| Professional Services | 19,500 | General Support | No associated donor restriction | Valued based on the estimated fair value of the contributed nonfinancial asset. |
| | $ 172,601 | | | |

## 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 | | | |

## 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. 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. In addition to the Promise Program funds designated by the board, an additional $400,000 was designated by the board for TJC NOW as of August 31, 2022. During the year ended August 31, 2023, $300,000 of the outstanding funds were spent for the designated purpose. The designation assigned to the remaining $100,000 expired due to timing per the original board resolution.

## NOTE 16 – REVENUE RECOGNITION

The timing of revenue recognition, billings, and cash collections results in notes and/or accounts receivable ("contract assets") and deferred revenues ("contract liabilities") on the Statements of Financial Position. Amounts are billed in accordance with agreed-upon contracted amounts and terms. The current balance of accounts receivable is for contributions, not earned revenue, therefore, this amount is not subject to the standard.

The Foundation hosts and promotes special events within the community. Special events income is referred to as fundraising on the Statements of Activities. Revenue generated from these events is recognized upon the successful conclusion of the event (point in time recognition). The balance in deferred revenue is due to annual golf tournament collections that had yet to be recognized.

Corporate naming rights revenue is recognized when the sole performance obligation of naming the facility occurs (point in time recognition).

The beginning and ending contract balances were as follows:

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Deferred revenue | $ 92,120 | $ 75,212 | $ 74,580 |

Due to the nature of the special events, all contract liabilities outstanding at the beginning of the fiscal year were recognized as revenue during the fiscal year.

## NOTE 17 – 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 25, 2023 and noted no such subsequent events to be disclosed in the notes to the financial statements.