

McLennan Community College Foundation
Financial Statements
August 31, 2023 and 2022
(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
McLennan Community College Foundation:

Opinion

We have audited the financial statements of the McLennan Community College Foundation (the "Foundation"), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1(b) to the financial statements, on September 1, 2022, the Foundation adopted Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which requires enhanced financial statement presentation and disclosures of contributed nonfinancial assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

McLennan Community College Foundation

Statements of Financial Position

August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,257,690	350,988
Contributions receivable	176,668	305,230
Prepaid expenses and other assets	53,235	-
Investments	30,178,319	29,146,519
Cash surrender value of life insurance policies	<u>23,693</u>	<u>23,397</u>
	<u>\$ 32,689,605</u>	<u>29,826,134</u>
<u>Liabilities and Net Assets</u>		
Due to affiliated organization	\$ <u>91,362</u>	<u>1,466,130</u>
Total liabilities	<u>91,362</u>	<u>1,466,130</u>
Net assets:		
Without donor restrictions:		
Undesignated	45,473	45,473
With donor restrictions:		
Restricted for specified purpose	19,554,722	15,735,372
Restricted in perpetuity - endowment	<u>12,998,048</u>	<u>12,579,159</u>
Total with donor restrictions	<u>32,552,770</u>	<u>28,314,531</u>
Total net assets	<u>32,598,243</u>	<u>28,360,004</u>
	<u>\$ 32,689,605</u>	<u>29,826,134</u>

See accompanying notes to financial statements.

McLennan Community College Foundation

Statement of Activities

Year Ended August 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Contributions of cash and other financial assets	\$ -	2,861,851	2,861,851
Contributions of nonfinancial assets	486,602	-	486,602
Special events, net of fundraising expenses of \$42,247	-	30,546	30,546
Net investment income	-	2,224,968	2,224,968
Net assets released from restrictions	879,126	(879,126)	-
	<u>1,365,728</u>	<u>4,238,239</u>	<u>5,603,967</u>
Expenses:			
Program expenses:			
Scholarships	622,606	-	622,606
Capital facilities assistance	34,068	-	34,068
Professional development	58,236	-	58,236
Other program expenses	89,780	-	89,780
Management and general	561,038	-	561,038
	<u>1,365,728</u>	<u>-</u>	<u>1,365,728</u>
Total expenses	<u>1,365,728</u>	<u>-</u>	<u>1,365,728</u>
Change in net assets	-	4,238,239	4,238,239
Net assets at beginning of year	<u>45,473</u>	<u>28,314,531</u>	<u>28,360,004</u>
Net assets at end of year	<u><u>\$ 45,473</u></u>	<u><u>32,552,770</u></u>	<u><u>32,598,243</u></u>

See accompanying notes to financial statements.

McLennan Community College Foundation

Statement of Activities

Year Ended August 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and other support:			
Contributions of cash and other financial assets	\$ -	2,964,703	2,964,703
Contributions of nonfinancial assets	348,078	-	348,078
Special events, net of fund-raising expenses of \$37,257	-	28,218	28,218
Net investment loss	-	(3,762,730)	(3,762,730)
Net assets released from restrictions	<u>2,407,474</u>	<u>(2,407,474)</u>	<u>-</u>
 Total revenue and other support	 <u>2,755,552</u>	 <u>(3,177,283)</u>	 <u>(421,731)</u>
Expenses:			
Program expenses:			
Scholarships	537,391	-	537,391
Capital facilities assistance	1,425,844	-	1,425,844
Professional development	44,638	-	44,638
Other program expenses	338,792	-	338,792
Management and general	<u>408,887</u>	<u>-</u>	<u>408,887</u>
 Total expenses	 <u>2,755,552</u>	 <u>-</u>	 <u>2,755,552</u>
 Change in net assets	 -	 (3,177,283)	 (3,177,283)
Net assets at beginning of year	<u>45,473</u>	<u>31,491,814</u>	<u>31,537,287</u>
Net assets at end of year	<u>\$ 45,473</u>	<u>28,314,531</u>	<u>28,360,004</u>

See accompanying notes to financial statements.

McLennan Community College Foundation

Statement of Functional Expenses

Year Ended August 31, 2023

	<u>Program Expenses</u>	<u>Supporting Expenses</u>		<u>Total</u>
	<u>Scholarships and Gifts</u>	<u>Management and General</u>	<u>Fundraising</u>	
Scholarships	\$ 622,606	-	-	622,606
Capital facilities assistance	34,068	-	-	34,068
Professional development	58,236	-	-	58,236
Golf tournament	-	-	32,696	32,696
Gala	-	-	9,551	9,551
In-kind:				
Salaries and benefits	-	390,263	-	390,263
Office expenses	-	81,003	-	81,003
Travel and entertainment	-	2,136	-	2,136
Rent and utilities	-	13,200	-	13,200
Other	89,780	74,436	-	164,216
Total expenses by function	804,690	561,038	42,247	1,407,975
Less fundraising expenses included in revenues	-	-	(42,247)	(42,247)
	<u>\$ 804,690</u>	<u>561,038</u>	<u>-</u>	<u>1,365,728</u>

See accompanying notes to financial statements.

McLennan Community College Foundation

Statement of Functional Expenses

Year Ended August 31, 2022

	Program Expenses	Supporting Expenses		
	Scholarships and Gifts	Management and General	Fundraising	Total
Scholarships	\$ 537,391	-	-	537,391
Capital facilities assistance	1,425,844	-	-	1,425,844
Professional development	44,638	-	-	44,638
Golf tournament	-	-	29,372	29,372
Gala	-	-	7,885	7,885
In-kind:				
Salaries and benefits	-	267,417	-	267,417
Office expenses	-	65,945	-	65,945
Travel and entertainment	-	1,516	-	1,516
Rent and utilities	-	13,200	-	13,200
Other	338,792	60,809	-	399,601
 Total expenses by function	 2,346,665	 408,887	 37,257	 2,792,809
Less fundraising expenses included in revenues	-	-	(37,257)	(37,257)
	\$ 2,346,665	408,887	-	2,755,552

See accompanying notes to financial statements.

McLennan Community College Foundation

Statements of Cash Flows

Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,238,239	(3,177,283)
Adjustments to reconcile change in net assets to net cash provided by operations:		
Cash contributions restricted for endowment	(418,889)	(262,362)
Net investment losses (gains)	(1,712,386)	4,218,240
Increase in cash surrender value of life insurance policies	(296)	(392)
Changes in operating assets and liabilities:		
Contributions receivable	128,562	51,182
Prepaid expenses and other assets	(53,235)	-
Due to affiliated organization	<u>(1,374,768)</u>	<u>1,402,562</u>
Net cash provided by operating activities	<u>807,227</u>	<u>2,231,947</u>
Cash flows from investing activities:		
Purchases of investments	(942,681)	(3,308,664)
Proceeds from sales or maturities of investments	<u>1,623,267</u>	<u>733,433</u>
Net cash provided by (used in) investing activities	<u>680,586</u>	<u>(2,575,231)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	<u>418,889</u>	<u>262,362</u>
Net cash provided by financing activities	<u>418,889</u>	<u>262,362</u>
Net increase (decrease) in cash and cash equivalents	1,906,702	(80,922)
Cash and cash equivalents at beginning of year	<u>350,988</u>	<u>431,910</u>
Cash and cash equivalents at end of year	<u>\$ 2,257,690</u>	<u>350,988</u>

See accompanying notes to financial statements.

McLennan Community College Foundation

Notes to Financial Statements

August 31, 2023 and 2022

(1) Summary of Significant Accounting Policies and Practices

(a) Organization and Nature of Activities

The McLennan Community College Foundation (the “Foundation” or “MCC Foundation”) was created in 1988 to solicit and receive support for purposes of developing and extending the facilities of McLennan County Junior College District (the “District”) and enhancing the educational opportunities of residents in the geographical area the District serves. The Foundation receives a significant portion of its revenue through contributions from individuals and businesses in the Central Texas area.

(b) Revenues and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or are designed as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Foundation reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

On September 1, 2022, the Foundation adopted Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which requires enhanced financial statement presentation and disclosures of contributed nonfinancial assets.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

McLennan Community College FoundationNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies and Practices (continued)(c) Cash and Cash Equivalents

The Foundation considers all highly-liquid investments purchased with an original maturity of three months or less, certificates of deposit, and money market funds to be cash equivalents. The Foundation had \$2,168,114 and \$102,226 in cash equivalents at August 31, 2023 and 2022, respectively.

(d) Investments

Investments are measured at their fair value in the accompanying statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for further discussion of fair value measurements.

Net investment income (loss) (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

(e) Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is generally not subject to federal income tax.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation records interest and penalties related to unrecognized tax benefits in management and general expenses.

(f) Fair Value Measurements

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants

McLennan Community College FoundationNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies and Practices (continued)(f) Fair Value Measurements (continued)

would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

(g) Use of Estimates

The preparation of 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 revenue and expenses during the reporting period. Significant items subject to such estimates include the fair value of investments. Actual results could differ from those estimates.

(h) Reclassifications

Certain reclassifications have been made to prior year amounts to make them comparable with those of the current year.

McLennan Community College Foundation

Notes to Financial Statements (Continued)

(2) Investments and Fair Value Hierarchy

Investments at August 31, 2023 and 2022 are as follows:

	2023	2022
Marketable equity securities	\$ 26,439,778	25,817,255
Limited partnership interests	3,738,541	3,329,264
	\$ 30,178,319	29,146,519

The fair values of the investments shown as of August 31, 2023 and 2022 represent the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset.

Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each significant class of investments:

Marketable equity securities: The fair value is measured using quoted market prices at the reporting date multiplied by the quantity held.

Limited partnership interests: The fair value of these limited partnership interests are estimated using net asset value measured using the market approach or the income approach based upon the underlying investment of the partnership.

The Foundation's limited partnership interests consist of interests in private equity limited partnerships that seek to realize long-term capital appreciation primarily through the purchase of a broad and varied portfolio of controlling equity investments in small to medium-sized companies. Investments are made predominantly in nonpublic companies, although investments in public companies are permitted. The limited partnerships generally invest on a long-term basis. Accordingly, investors generally are not permitted to withdraw or redeem interests in the limited partnerships. The Foundation has no plans to liquidate its investment in the limited partnerships. The Foundation has subscribed for interests of \$4 million, of which \$1,464,744 is committed and unfunded at August 31, 2023.

McLennan Community College Foundation

Notes to Financial Statements (Continued)

(2) Investments and Fair Value Hierarchy (continued)

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2023 and 2022:

	Fair Value August 31, 2023	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	26,439,778	26,439,778	-	-
Limited partnership interests	3,738,541	-	-	3,738,541
	<u>\$ 30,178,319</u>	<u>26,439,778</u>	<u>-</u>	<u>3,738,541</u>
	Fair Value August 31, 2022	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities	\$ 25,817,255	25,817,255	-	-
Limited partnership interests	3,329,264	-	-	3,329,264
	<u>\$ 29,146,519</u>	<u>25,817,255</u>	<u>-</u>	<u>3,329,264</u>

Total purchases of Level 3 investments were \$621,720 and \$520,644 for the years ended August 31, 2023 and 2022, respectively.

(3) Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of the following at August 31, 2023 and 2022:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 2,257,690	350,988
Contributions receivable	176,668	305,230
Investments	30,178,319	29,146,519
	<u>32,612,677</u>	<u>29,802,737</u>

McLennan Community College Foundation

Notes to Financial Statements (Continued)

(3) Availability and Liquidity (continued)

	2023	2022
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(32,552,770)	(28,314,531)
Financial assets available to meet general expenditures over the next twelve months	\$ 59,907	1,488,206

As part of its liquidity plan, the Foundation maintains its excess cash available to meet general expenditures over the next twelve months in time and deposit accounts with several financial institutions.

(4) Endowments

The Foundation's net assets with donor restrictions – restricted in perpetuity consist of approximately 330 endowment funds. These donor-restricted endowment funds at August 31, 2023 and 2022 have been established principally for (a) scholarships (approximately \$11,913,000 and \$11,494,000, respectively), (b) a distinguished lecture series (approximately \$506,000 and \$506,000, respectively), (c) maintenance of Steinway pianos owned by the District (approximately \$326,000 and \$326,000, respectively), and (d) other educational purposes under a Title III grant (approximately \$253,000 and \$253,000, respectively). As required by professional standards, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Explicit donor stipulations define amounts that may be expended for each of the Foundation's endowments. As a result, the Foundation classifies as donor restricted net assets (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 (decrements) to the permanent endowment made in accordance with the direction of the applicable donor gift instruments.

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets must be invested in a conservative manner.

McLennan Community College Foundation

Notes to Financial Statements (Continued)

(4) Endowments (continued)

Following is a summary of the changes to the endowment funds for the years ended August 31, 2023 and 2022:

	2023	2022
	With Donor Restrictions	With Donor Restrictions
Balance, beginning of year	\$ 12,579,159	12,316,797
Contributions	418,889	262,362
Balance, end of year	\$ 12,998,048	12,579,159

(5) Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis that is consistently applied.

(6) Contributions Receivable

Contributions receivable at August 31, 2023 and 2022 consisted almost entirely of receivables due in less than one year. Contributions receivable due in one year or more have been recorded at net realizable value since the difference between net realizable value and fair value (generally determined as the present value of future cash flows) is not material.

(7) Net Assets With Donor Restrictions – Restricted for Specified Purpose

Donor restricted net assets with a purpose restriction are available for the following specific programs at August 31, 2023 and 2022:

	2023	2022
Scholarships	\$ 13,994,986	12,469,232
Educational purposes under Title III grant	2,157,262	2,052,717
Distinguished lecture series	503,810	422,213
Facility improvements	2,898,664	791,210
	\$ 19,554,722	15,735,372

McLennan Community College Foundation

Notes to Financial Statements (Continued)

(8) Net Assets With Donor Restrictions – Restricted in Perpetuity – Endowment

Net assets with donor restrictions that are restricted in perpetuity for endowment at August 31, 2023 and 2022 consist of various endowment funds to be held in perpetuity, the income of which is available for the purposes described in Note 4.

(9) Net Investment Income (Loss)

Net investment income (loss) is comprised of the following at August 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 541,944	485,502
Net investment gains (losses)	1,712,386	(4,218,240)
Investment fees	(29,362)	(29,992)
	\$ 2,224,968	(3,762,730)

(10) Contributions of Nonfinancial Assets

The Foundation receives contributed nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. For the years ended August 31, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	2023	2022
Services	\$ 390,263	267,417
Supplies	81,003	65,945
Occupancy	13,200	13,200
Other	2,136	1,516
	\$ 486,602	348,078

Contributed services are comprised of administrative personnel and are valued based on the cost of the personnel providing those services. Contributed supplies are valued from actual invoices received which are comparable to current rates for similar products. Contributed occupancy is valued per square footage which is comparable to fair market value in the surrounding areas.

McLennan Community College Foundation

Notes to Financial Statements (Continued)

(10) Contributions of Nonfinancial Assets (continued)

Total in-kind contributions are reflected as follows in the accompanying statements of activities:

	<u>2023</u>	<u>2022</u>
Revenues:		
Contributions of nonfinancial assets	\$ <u>486,602</u>	<u>348,078</u>
Total revenues	\$ <u><u>486,602</u></u>	<u><u>348,078</u></u>
Expenses:		
Management and general	\$ <u>486,602</u>	<u>348,078</u>
Total expenses	\$ <u><u>486,602</u></u>	<u><u>348,078</u></u>

The District provides administrative personnel and general office services to the Foundation which are included in the contributed nonfinancial assets above. These services all relate to management and general activities. Below is a summary of these contributions for the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Salaries and benefits	\$ 390,263	267,417
General office expense	81,003	65,945
Travel and entertainment	2,136	1,516
Rent and utilities	<u>13,200</u>	<u>13,200</u>
	\$ <u><u>486,602</u></u>	<u><u>348,078</u></u>

Amounts owed to the District for scholarships and gifts at August 31, 2023 and 2022, respectively, were \$91,362 and \$1,466,130.

(11) Concentrations of Credit and Market Risk and Uncertainties

Financial instruments that potentially expose the Foundation to significant concentrations of credit and market risk consist primarily of cash equivalents and investments.

At August 31, 2023 and 2022, and at various times during the years, the balance of deposits at a financial institution exceeded the amount of federal deposit insurance coverage.

McLennan Community College FoundationNotes to Financial Statements
(Continued)(11) Concentrations of Credit and Market Risk and Uncertainties (continued)

Investment diversification can subject the Foundation to risk arising from such factors as interest rate fluctuations, credit deterioration, market fluctuations and changes in regulatory and political policy which can result in actual losses or inadequate investment returns. Management believes the Foundation's investments do not represent significant concentrations of market risk, and the possibility of significant adverse impact upon the financial condition of the Foundation arising from such risk is remote.

(12) Beneficial Interest in Assets Held by Waco Foundation

The Foundation initiated a fund at Waco Foundation, a local community foundation, by transferring MCC Foundation assets to Waco Foundation and designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation) on the transferred assets is to be paid at least annually to MCC Foundation. With that transfer, the MCC Foundation granted Waco Foundation variance power (that is, the unilateral power to redirect the use of the transferred assets to another beneficiary.) However, Waco Foundation generally would distribute funds in accordance with the desire of MCC Foundation unless such distributions violate Waco Foundation's trust instrument and bylaws, or if such distributions become unnecessary, impossible or inconsistent with the needs of the community served. Because MCC Foundation retained future economic benefits of the transferred assets, professional accounting standards consider the transaction to be reciprocal and the MCC Foundation continues to recognize its rights as an asset.

Further, in the years since the origination of the fund at the Waco Foundation, independent community donors have made contributions to the fund. These donors granted variance power to Waco Foundation (under the same terms as described in the preceding paragraph); however, the donors retained no beneficial interests in the transferred assets and the related and accumulated income (including net realized and unrealized appreciation). Consequently, under professional standards, this portion of the fund balance at Waco Foundation is not reported as an asset of the Foundation.

There are no assets of MCC Foundation held by Waco Foundation at August 31, 2023 and 2022. Further, the amount of assets held and reported as assets by Waco Foundation for the benefit of MCC Foundation total \$122,807 and \$120,416 at August 31, 2023 and 2022, respectively.

(13) Subsequent Events

The Foundation has evaluated subsequent events from the date of the statements of financial position through December 6, 2023, the date at which the financial statements were available to be issued, and determined there are no items to disclose.