



**PURCHASING DEPARTMENT
6600 34TH AVENUE
MOLINE, IL 61265**

DATE: January 24, 2024

**TO BE OPENED ON
February 22, 2024
RFP 03-24**

*****IMPORTANT***
SHOW "RFP 03-24"
ON OUTSIDE OF MAILING
ENVELOPE**

**REQUEST FOR PROPOSAL (RFP)
AUDITING SERVICES
RFP 03-24 Addendum 1**

Pursuant to the provisions of Section 3-27.1 of the Illinois Public Community College Act and rules and regulations adopted thereunder, sealed proposals subject to the conditions and requirements made a part hereof **will be received until 2:00 p.m. local time, on Thursday, February 22, 2024, in the Purchasing Office at Black Hawk College Quad Cities Campus, located at 6600 34th Avenue in Building One, Second Floor, in the Finance Office, Room 244A, then opened publicly, read aloud and recorded immediately thereafter when possible, in the Black Hawk Room, located in Building One, Second Floor, Room 255**, for furnishing the goods or services described below, to be delivered or performed at the location(s) stated. Whether or not a proposal is timely shall be determined by reference to the clock located in the Purchasing Office of the College, and the determination of whether or not a proposal is timely in accordance with that clock shall be at the sole discretion of the Black Hawk College Purchasing Office and Board of Trustees, whose decision on that issue shall be final.

**REFER INQUIRIES TO: Bradley Bridges
Black Hawk College
6600 34th Avenue
Moline IL 61265**

TELEPHONE: (309) 796-5002

EMAIL ADDRESS: BridgesB@bhc.edu

VENDOR INFORMATION:
Contact:
Company:
Address:
City/State/Zip:
Telephone:
Fax Number:
Email Address:

GENERAL

Proposals are subject to the attached Standard Terms and Conditions (Attachment A).

USING DEPARTMENT

Finance

Addendum 1

Question: Please clarify whom prepares the audit report?

Answer: The firm that is awarded the contract will prepare the audit reports.

Question: Can you provide the journal entries proposed for the FY2023 audit?

Answer:

BLACK HAWK COLLEGE
AUDIT REPRESENTATION LETTER ATTACHMENT
UNADJUSTED DIFFERENCE SCHEDULE
BUSINESS-TYPE ACTIVITIES
6/30/23

DESCRIPTION	ASSET	LIABILITY	EQUITY	CHANGE IN NET POSITION
EFFECT IF ENTRY MADE - INCREASE (DECREASE)				
Uncapitalized Oracle software license purchase	273,122.00	203,770.00	69,352.00	69,352.00
Total Unadjusted Differences	273,122	203,770	69,352	69,352
Totals Per Financial Statements	284,768,627	140,375,414	144,393,213	14,624,036
UDS as a Percent of Financials	0.10%	0.15%	0.05%	0.47%

Black Hawk College
Year End: June 30, 2023
Adjusting journal entries
Date: 7/1/2022 To 6/30/2023

Started by	Prepared by	SM Review
AS Review	AS 10/16/2023 Concurring	SM Review SCM 10/11/2023

Number	Date	Name	Account No	Reference	Debit	Credit
1	6/30/2023	CONSTRUCTION IN PROGRESS	06-18800-	P. 1	130,342.00	
1	6/30/2023	DESIGNATED FUND BALANCE	06-31000-	P. 1		130,342.00
To correct error from JE 23061157. (CLIENT ALREADY POSTED).					130,342.00	130,342.00
Net Income (Loss)					14,624,036.00	

Question: When is draft of Schedule of Expenditures of Federal Awards (SEFA) prepared for review?

Answer: Final draft is available the 2nd or 3rd week of August. Preliminary draft can be available as early as April.

Question: How much time is generally spent onsite?

Answer: Historically, the team spent a week or less onsite for fieldwork. Other onsite time has included preliminary fieldwork (1-2 days), Bookstore inventory testing (1-2 hours) and fieldwork testing for the Foundations and VEBA audits (1 day each).

Question: What are single audit procedures? Are single audit procedures done in person or remotely?

Answer: Both In-person (providing Banner access on campus) or remote (sending screenshots) are possible.

Question: Why issue RFP?

Answer: Term of previous contract expired.

Question: What are you expecting in the way of fees versus previous contract?

Answer: Black Hawk College understands that much in the market has changed in five years.

Please be reminded of the following:

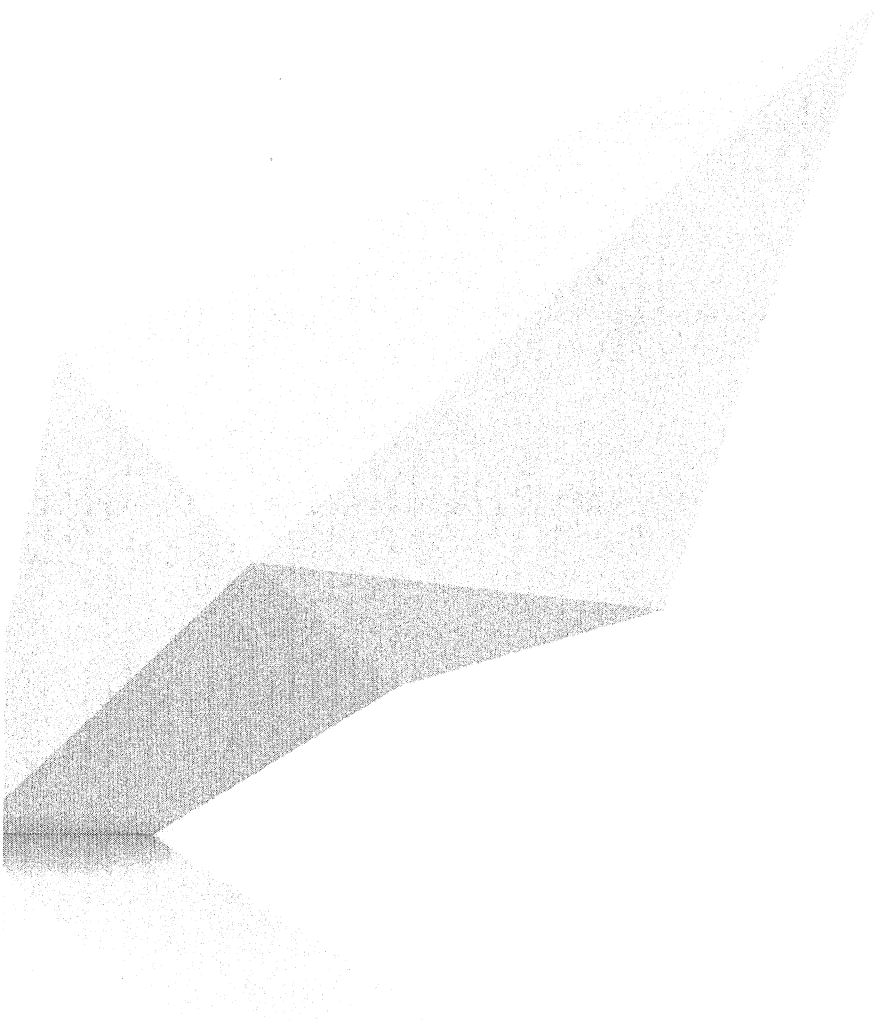
10. ACKNOWLEDGEMENTS OF ADDENDA

Signature of company official on original document shall be construed as acknowledgment of receipt of any and all addenda pertaining to this specific proposal. Identification by number of addenda and date issued should be noted on all proposals submitted.

Black Hawk College Foundation

Financial Report

Year Ended June 30, 2023



WIPFLI

Black Hawk College Foundation

Year Ended June 30, 2023

Table of Contents

Independent Auditor's Report.....	1
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7
Supplementary Information	
Statement of Financial Position - All Funds.....	22
Statement of Activities and Changes in Net Assets - All Funds.....	23



Independent Auditor's Report

Board of Directors
Black Hawk College Foundation
Moline, IL

Opinion

We have audited the accompanying financial statements basic of Black Hawk College Foundation (the "Foundation"), a nonprofit organization, a component unit of Black Hawk College District 503, which comprise the statement of financial position as of June 30, 2023, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Black Hawk College Foundation as of June 30, 2023, 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 ("GAAP").

Basis for Opinion

We conducted our audit 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 Black Hawk College Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 Black Hawk College Foundation's ability to continue as a going concern for one year after the date 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 GAAS 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 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 Black Hawk College Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Hawk College Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We previously audited Black Hawk College Foundation's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated . In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Wipfli LLP

Sterling, Illinois
November 15, 2023

Black Hawk College Foundation

Statement of Financial Position

<i>As of June 30, 2023 with Comparative Totals for 2022</i>	2023	2022
ASSETS		
Cash and cash equivalents	\$ 512,180	\$ 515,600
Pledges receivable, net of allowance	678,500	744,412
Scholarship receivable	9,274	12,444
Other receivables	50	50
Beneficial interest in perpetual trust	88,557	83,316
Beneficial interest in charitable trust	140,151	127,662
Land	45,000	45,000
Investments	5,819,263	5,562,551
TOTAL ASSETS	\$ 7,292,975	\$ 7,091,035
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 23,768	\$ 60,404
Scholarship payable	62,138	12,444
Refundable advance	-	400,000
Total liabilities	85,906	472,848
Net assets		
Without donor restrictions:		
Undesignated	357,464	-
Board designated endowment	409,491	-
With donor restrictions	6,440,114	6,618,187
Total net assets	7,207,069	\$ 6,618,187
TOTAL LIABILITIES AND NET ASSETS	\$ 7,292,975	\$ 7,091,035

See accompanying notes to financial statements.

Black Hawk College Foundation

Statement of Activities

Year Ended June 30, 2023 with Comparative Totals for 2022	Net Assets		Total	
	Without Donor Restrictions	Net Assets With Donor Restrictions	2023	2022
Revenues:				
Donations	\$ 11,622	\$ 496,386	\$ 508,008	\$ 153,539
Special events	3,446	41,723	45,169	14,244
Investment income	22,855	190,193	213,048	140,105
Contributed nonfinancial assets	151,565	8,572	160,137	148,041
Change in value of beneficial interest in trusts	3,419	19,326	22,745	(195,276)
Other income	13,384	-	13,384	18,377
Net unrealized and realized gain (loss) on investments	4,978	42,252	47,230	(915,174)
Internal scholarship program admin transfers	50,154	(50,154)	-	-
Net assets released from restrictions:				
Satisfaction of program restrictions	213,245	(213,245)	-	-
Total revenues	474,668	535,053	1,009,721	(636,144)
Expenses:				
Program expenses:				
Scholarships	179,428	-	179,428	184,438
Grants to College	61,117	-	61,117	80,634
Student emergency grants	15,858	-	15,858	12,651
Management and general expenses	70,104	-	70,104	63,543
Fundraising	94,332	-	94,332	76,717
Total expenses	420,839	-	420,839	417,983
Changes in net assets	53,829	535,053	588,882	(1,054,127)
Net assets, beginning of year	713,126	5,905,061	6,618,187	7,672,314
Net assets, end of year	\$ 766,955	\$ 6,440,114	\$ 7,207,069	\$ 6,618,187

See accompanying notes to financial statements.

Black Hawk College Foundation

Statement of Functional Expenses

Year Ended June 30, 2023 with Comparative Totals for 2022	Program Services				Supporting Services			2023	2022			
	Scholarships		Grants to College		Student Emergency Fund Grants		Management & General		Total			
	\$	2,252	-	-	-	-	-	-	-			
Licenses and fees				-	-	-	-	-	-			
Office supplies and postage					4,488		10	2,262	\$ 2,509			
Printing					1,764		250	4,738	4,522			
Advertising					15			1,764	2,399			
Meeting and travel					375			15	67			
Contributed nonfinancial assets					26,079	2,434	10,435	4,341	314			
Fundraising and special events					-	-	62,149	59,040	148,041			
Special projects					-	-	20,745	919	11,469			
Grants				100	58,487	196		-	2,408			
Student emergency grants								-	58,587			
Scholarships					137,613		5,423	-	6,020			
Other expense					13,384			-	137,613			
Contractual services								-	13,384			
Miscellaneous								4,796	10,128			
								-	212			
Total expenses	\$	179,428	\$	61,117	\$	15,858	\$	94,332	\$	420,839	\$	417,983

See accompanying notes to financial statements.

Black Hawk College Foundation

Statement of Cash Flows

<i>Year Ended June 30, 2023 with Comparative Totals for 2022</i>	2023	2022
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 588,882	\$ (1,054,127)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Net unrealized gains of investments	(88,298)	1,305,607
Distribution of perpetual trust	4,211	5,186
Changes in operating assets and liabilities:		
Pledges receivable	65,912	162,140
Scholarship receivables	3,170	(1,294)
Value of perpetual trust	(9,452)	15,885
Value of charitable trust	(12,489)	18,392
Accounts payable	(36,636)	41,057
Scholarship payable	49,694	844
Refundable advance	(400,000)	200,000
Contributions restricted for long-term investment	(4,196)	(56,238)
Total adjustments	(428,084)	1,691,579
Net cash flows from operating activities	160,798	637,452
Cash flows from investing activities:		
Purchase of investments	(474,641)	(1,492,442)
Proceeds from sale of investments	306,227	798,814
Net cash flows from investing activities	(168,414)	(693,628)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	4,196	56,238
Net cash flows from financing activities	4,196	56,238
Net changes in cash and cash equivalents	(3,420)	62
Cash and cash equivalents, beginning of year	515,600	515,538
Cash and cash equivalents, end of year	\$ 512,180	\$ 515,600
<i>Supplemental Disclosure of cash flow information:</i>		
Contributed nonfinancial assets	\$ 160,137	\$ 148,041

See accompanying notes to financial statements.

Black Hawk College Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Entity

Black Hawk College Foundation (the Foundation) was founded under this name on November 19, 1982 as a non-profit, Illinois corporation. The Foundation has been organized to operate exclusively for educational purposes to assist in developing and augmenting the facilities and carrying out the educational functions of Black Hawk College. In order to achieve such purposes, the Foundation raises funds by campaign and/or encourages the making of loans, gifts, grants, devises or bequests of money, donation of property for research and instruction, and the establishment of endowments and scholarships for buildings, equipment and all other facilities of the College.

The Foundation has a Trustee from Black Hawk College serving as Foundation board member.

The Foundation acts in a fiduciary capacity in order to carry out the foregoing purposes by adhering to any restrictions imposed by the donor or transferor as well as managing, administering, investing and disposing of all funds received. Policies for such actions have been established by the Board and must be abided by for the direction of these actions.

Basis of Accounting

The Foundation follows the accrual basis of accounting, recognizing revenue when earned and recording expenses when the liability is incurred.

Pledges of cash which are only in the form of letters of intent are recognized as revenues or gains in the period the intent was received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, cash receipts and disbursements. Receipts are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Black Hawk College Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net assets with donor restrictions are net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Inclusion in College Financial Statements

Black Hawk College has included the Foundation as a component unit in its financial statements in accordance with the provisions of the accounting standard, *Determining Whether Certain Organizations are Component Units*.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Foundation defines cash accounts which are not subject to withdrawal restrictions or penalties with an original maturity of three months or less as cash and cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determined fair values and all investments in debt securities at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Unrealized gains and losses are included in the change in

Black Hawk College Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

net assets in the accompanying statements of activities and changes in net assets.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pledges Receivable

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge. As of June 30, 2023 there were promises to give to the Foundation of \$678,500 (see Note 6).

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Black Hawk College Foundation

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Nonfinancial Assets

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed services are recognized in the financial statements, if the services (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. For the year ending June 30, 2023 the Foundation received contributed nonfinancial assets of equipment and miscellaneous items valued at \$8,572 and contributed services, software, and supplies from a related party of \$151,565. These amounts are included in the financial statements as contributed nonfinancial asset revenues and expenses.

The Foundation also receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the consolidated financial statements since they do not meet the criteria for recognition as contributed services.

Functional Expenses Allocation Method

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Occupancy and management and general costs excluding administrative salaries are allocated to programs and fundraising based on revenues generated by those functions.

Pending Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for periods beginning December 15, 2022. Management is currently evaluating the impact of adoption of this ASU on the financial statements and the related notes to the financial statements.

Black Hawk College Foundation

Notes to Financial Statements

Note 2: Investments

Investments are presented in the financial statements in the aggregate at fair value. Gains and losses on the sale of or redemption at maturity of investments are shown net for each fund.

Investments are composed of the following as of June 30, 2023:

	Cost	Fair Value
Exchange-traded & closed-ended funds	\$ 559,354	\$ 631,036
Mutual funds	5,455,937	5,188,227
Total investments	6,015,291	5,819,263
Money market funds (cash equivalents)	59,841	59,841
Total investments and money markets	\$ 6,075,132	\$ 5,879,104

The following tabulation summarizes the relationship between carrying value and fair value of investment assets.

	Cost	Fair Value	Excess of Fair Value Over (Under) Cost
Balance at end of year	\$ 6,015,291	\$ 5,819,263	\$ (196,028)
Balance at beginning of year	5,846,877	5,562,551	(284,326)
Decrease in unrealized appreciation			88,298
Realized net loss for the year			(41,068)
Total net gain for the year			\$ 47,230

Black Hawk College Foundation

Notes to Financial Statements

Note 3: Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Certificates of deposits, mutual funds, bonds and notes and equities: Valued at the cost-basis of shares held by the Plan at year end.

Beneficial interest in perpetual trust: Valued at the net asset value of the trust assets by the percentage of ownership in the trust assets.

Beneficial interest in charitable trust: Valued at the discounted principal and earnings of the percentage of the ownership in the trust assets.

Black Hawk College Foundation

Notes to Financial Statements

Note 3: Fair Value (Continued)

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis at June 30, 2023:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Exchange-traded & closed ended	631,036	631,036	-	-
Mutual funds	5,188,227	5,188,227	-	-
Beneficial interest in:				
Perpetual trust	88,557	-	-	88,557
Charitable trust	140,151	-	-	140,151
Total	\$ 6,047,971	\$ 5,819,263	\$ -	\$ 228,708

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement 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 those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) for the year ending June 30, 2023:

	Beneficial Interest in Perpetual Trust	Beneficial Interest in Charitable Trust
June 30, 2022	\$ 83,316	\$ 127,662
Change in value	10,537	12,489
Fees	(1,085)	-
Distributions	(4,211)	-
June 30, 2023	\$ 88,557	\$ 140,151

Black Hawk College Foundation

Notes to Financial Statements

Note 3: Fair Value (Continued)

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Nonrecurring Fair Value Measurements

The following tables represent the Foundation's Level 3 assets, the valuation techniques used to measure the fair value of the assets, the significant unobservable inputs, and the ranges of values for those inputs.

As of June 30, 2023				
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Beneficial interest in perpetual trust	\$ 88,557	Market approach	Fair value of assets contributed to trust	N/A
Beneficial interest in charitable trust	\$ 140,151	Present value of future cash flows	Fair value of assets contributed to trust	N/A
Total	\$ 228,708			

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a nonrecurring basis at June 30, 2023:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Contributed nonfinancial assets:				
Services, software, and supplies	\$ 151,565	\$ -	\$ -	\$ 151,565
Supplies and misc giveaway items	8,572	-	-	8,572
Total	\$ 160,137	\$ -	\$ -	\$ 160,137

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Nonrecurring Fair Value Measurements

The following tables represent the Foundation's Level 3 assets, the valuation techniques used to measure the fair value of the assets, the significant unobservable inputs, and the ranges of values for those inputs.

As of June 30, 2023				
Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Contributed services, software, and supplies	\$ 151,565	Market approach	Fair value of assets contributed to trust	N/A
Contributed supplies and misc giveaway items	\$ 8,572	Market approach	Fair value of assets contributed to trust	N/A
Total	\$ 160,137			

Black Hawk College Foundation

Notes to Financial Statements

Note 4: Endowment Funds

The Foundation's endowment consists of approximately 64 individual funds for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

Investment income generated by the Foundation's endowment funds are used for the benefit of the Foundation.

The endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 6,440,114	\$ 6,440,114
Board-designated endowment funds	409,491	-	409,491
Total	\$ 409,491	\$ 6,440,114	\$ 6,849,605

Changes in endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
Endowment net assets, beginning of year	\$ 394,014	\$ 5,905,061	\$ 6,299,075
Donations	-	496,386	496,386
Special events	-	41,723	41,723
Contributed nonfinancial assets	-	8,572	8,572
Change in value of beneficial interest	-	19,326	19,326
Investment income	16,609	190,193	206,802
Internal Scholarship Program admin fee	(4,827)	(50,154)	(54,981)
Net unrealized and realized gain(loss) on investments	3,695	42,252	45,947
Amounts released from restrictions	-	(213,245)	(213,245)
Total	\$ 409,491	\$ 6,440,114	\$ 6,849,605

Note 5: Beneficial Interest in Trusts

The Foundation established the Black Hawk College Foundation Community Endowment Challenge Fund with The Moline Foundation in 2017 for the benefit of the Foundation. The fund agreement allows the use of the fund's principal and income in accordance with The Moline Foundation's spending policy for endowed funds for supporting of Black Hawk College Foundation. The fund is held and invested by The Moline Foundation, which

Black Hawk College Foundation

Notes to Financial Statements

Note 5: Beneficial Interest in Trusts (Continued)

were contributed by the Foundation, and is reported at fair value as beneficial interest in perpetual trust in the statement of financial position in the amount of \$ 88,557 as of June 30, 2023. Distributions and changes in fair value are recognized in the statement of activities and changes in net assets.

The Foundation is the beneficiary of a charitable remainder trust that was created independently by donors and are administered by outside agents designated by the donors. Therefore, the Foundation has neither possession nor control over the assets of the trust. At the date the Foundation received notice of a beneficial interest, a contribution with donor restrictions was recorded in the statements of activities and changes in net assets, and a beneficial interest in charitable trusts held by others was recorded in the statements of financial position at fair value using present value techniques. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position in the amount of \$140,151 as of June 30, 2023.

Changes in fair value are recognized in the statements of activities and changes in net assets. Upon receipt of trust distributions, in satisfaction of the donor-restricted purpose, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

Note 6: Pledge Receivable

Unconditional promises are included in the consolidated financial statements as pledge receivables and revenue of the appropriate net asset category. An allowance has been set up in the amount of \$0 for uncollectible pledges. The breakdown of pledges receivable as of June 30, 2023 is as follows:

Due in one year or less	\$ 2,500
Due beyond one year	1,000,000
Less unamortized discount	(324,000)
Less allowance for uncollectible pledges	0
<u>Donation receivables</u>	<u>\$ 678,500</u>

Note 7: Income Taxes

The Foundation qualifies for tax exempt status under Section 501(c)(3) of the Internal Revenue Code as a charitable group not organized for profit. Accordingly, no provision for income taxes is included in the consolidated financial statements. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation on unrelated business income.

The Foundation accounts for income taxes in accordance with Financial Accounting Standards Board *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation recorded no liabilities for uncertain tax positions or unrecognized tax benefits.

Black Hawk College Foundation

Notes to Financial Statements

Note 8: Related Parties

The Foundation expends funds either directly to or for the indirect benefit of Black Hawk College, a related party. These expenses are for scholarships and other miscellaneous expenses. During the year, \$137,613 was expended for scholarships, \$5,423 expended for student emergency fund grants, and \$58,587 was expended for grants. As of June 30, 2023, the Foundation had payables to the College in the amount of \$85,906.

The College pays the salaries and benefits of the Foundation's employees. The Foundation has implemented "Not-for-Profit Entities: Services Received from Employees of an Affiliate" that includes \$151,565 on the financial statements as contributed nonfinancial assets revenue and expense for the personnel costs incurred by the College on the Foundation's behalf.

Note 9: Ground Lease

The Foundation has a ground lease with The Villas at Black Hawk LLC with the initial term running through December 31, 2053, with two additional 10-year options for a cumulative possible extension of 20 years. This lease states basic rent shall be paid in the form of a housing scholarship credit, to be divided and allocated at Black Hawk College Foundation's discretion, equal to the value of the annual rental cost of two bedrooms in a four-bedroom unit. The housing scholarship credits shall be given by The Villas at Black Hawk LLC to Black Hawk College students each lease year. The outstanding balance of basic rent due in housing scholarship credits from The Villas at Black Hawk LLC equals \$12,444 on June 30, 2023. During fiscal year 2023, \$14,554 in housing scholarship credits were received by Black Hawk College students and an additional housing scholarship credit balance due from The Villas at Black Hawk LLC for the upcoming fiscal year will be in the amount of \$12,444.

The property taxes related to the property that The Villas at Black Hawk LLC occupies is due annually to Rock Island County from Black Hawk College Foundation. The ground lease with The Villas at Black Hawk LLC states that the Villas will be responsible for paying the property taxes annually.

Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions are available as of June 30, 2023 for the following purposes:

Scholarship	\$ 5,637,347
Library	19,337
Grants to College	466,014
Student Emergency Fund	17,208
Specific programs	58,153
Scholarships or grants	83,841
Other	158,214
<hr/>	
Total	\$ 6,440,114

Black Hawk College Foundation

Notes to Financial Statements

Note 11: Net Assets Released

The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2023 as follows:

Scholarship	\$	136,613
Student emergency grants		5,423
Grants		54,241
Fundraising and special events		8,396
Miscellaneous		8,572
<hr/>		
Total	\$	213,245

Note 12: Commitments

As of June 30, 2023, the Foundation has not committed to paying any scholarships awarded for Fall 2023.

Note 13: Subsequent Events

The Foundation has evaluated subsequent events through November 15, 2023, which is the date the financial statements were available to be issued. The Foundation is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

Note 14: Liquidity

The Foundation strives to maintain liquid financial assets to meet the short-term needs of the Foundation. Financial assets in excess of daily cash requirements are invested to earn more revenue. Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the consolidated statement of financial position date, comprise the following as of June 30, 2023:

Financial assets available within one year and free of donor restrictions:

Cash and cash equivalents:		
Cash	\$	70,688
Cash equivalents		1,900
Board-designated endowment		200,000
Board-designated earnings		209,492
Investments		164,737
<hr/>		
		646,817

Black Hawk College Foundation

Notes to Financial Statements

Note 14: Liquidity (Continued)

Financial assets with liquidity restrictions greater than one year

Beneficial interest in perpetual trust (Moline Foundation)	40,245
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Financial assets available for expenditure, subject to restrictions:

Cash and cash equivalents:

Cash	343,476
Cash equivalents	4,922
Assets-in-kind	50
Receivables	2,500
Investments	481,298
Beneficial interest in perpetual trust (Moline Foundation)	48,312
Beneficial interest in charitable trust (Saffield)	140,151

1,020,709

Financial assets held as board-designated term endowment:

(quasi-endowments):

129,185

Financial assets subject to donor-imposed endowment restrictions:

Cash and cash equivalents:

Cash	38,175
Cash equivalents	53,019
Investments	4,634,552

4,725,745

Non-cash assets:

Land	45,000
Scholarship receivable from Villas	9,274
Endowed pledge receivable (only enforceable if funds are available when donor passes away)	676,000

730,274

Total financial assets

\$ 7,292,975

Black Hawk College Foundation

Notes to Financial Statements

Note 15: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following:

Contributed services, software, and supplies	\$	151,565
Supplies and misc giveaway items		8,572
Total	\$	160,137

The Foundation recognizes contributed nonfinancial assets within revenues, including contributed advertising and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed fundraising giveaways were used to raise funds during events as raffle or other giveaway items. Contributed fundraising giveaways is valued and reported at the estimated fair value in the financial statements based on current rates for similar items.

Contributed services recognized comprise of salaries and benefits for administrative personnel handling the operations of the Foundation, professional accounting services performed by the College employees, software, and supplies.

Supplementary Information

Black Hawk College Foundation

Statement of Financial Position - All Funds

June 30, 2023	Net Assets Without Donor Restrictions			Net Assets with Donor Restrictions			Total
	Unrestricted	Board Designated Endowed	Endowed Earnings Unrestricted	Endowed Earnings Restricted	Other Restricted	Endowed	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 72,588	\$ -	\$ -	\$ -	\$ 348,398	\$ 91,194	\$ 512,180
Pledges receivable, net of allowance	-	-	-	-	2,500	676,000	678,500
Scholarship receivable	9,274	-	-	-	-	-	9,274
Other receivables	-	-	-	-	50	-	50
Beneficial interest in perpetual trust	40,245	-	-	-	48,312	-	88,557
Beneficial interest in charitable trust	-	-	-	-	(140,151)	-	(140,151)
Due to	52,481	-	-	-	(7,583)	(44,898)	-
Land	45,000	-	-	-	-	-	45,000
Investments	164,739	200,000	209,491	1,280,494	702,483	3,262,056	5,819,263
TOTAL ASSETS	\$ 384,327	\$ 200,000	\$ 209,491	\$ 1,280,494	\$ 1,234,311	\$ 3,984,352	\$ 7,292,975
LIABILITIES AND NET ASSETS							
Current liabilities:							
Accounts payable	15,589	-	-	6,702	1,477	-	23,768
Scholarship payable	11,274	-	-	47,364	3,500	-	62,138
Total liabilities	26,863	-	-	54,066	4,977	-	85,906
Net assets							
Net assets without donor restrictions	357,464	200,000	209,491	-	-	-	766,955
Net assets with donor restrictions	-	-	-	1,226,428	1,229,334	3,984,352	6,440,114
TOTAL LIABILITIES AND NET ASSETS	\$ 384,327	\$ 200,000	\$ 209,491	\$ 1,280,494	\$ 1,234,311	\$ 3,984,352	\$ 7,292,975

See Independent Audit Report on Supplementary Information.

Black Hawk College Foundation

Statement of Activities and Changes in Net Assets - All Funds

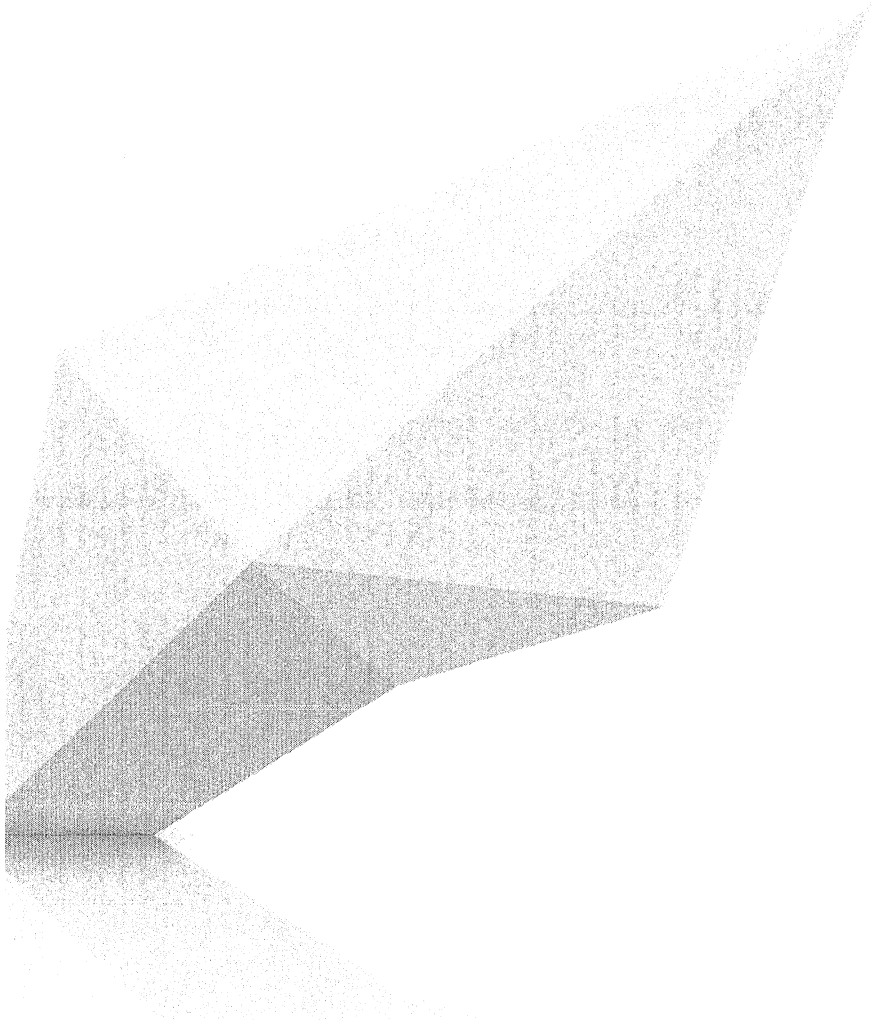
Year Ended June 30, 2023	Net Assets Without Donor Restrictions			Net Assets with Donor Restrictions			Total
	Unrestricted	Board Designated Endowed	Endowed Earnings Unrestricted	Endowed Earnings Restricted	Other Restricted	Endowed	
Revenue							
Donations	\$ 11,622	\$ -	\$ -	\$ -	\$ 492,190	\$ 4,196	\$ 508,008
Special events	3,446	-	-	-	41,723	-	45,169
Investment income	6,246	-	16,609	172,590	17,603	-	213,048
Contributed nonfinancial assets	151,565	-	-	-	8,572	-	160,137
Change in value of beneficial interest in trusts	3,419	-	-	-	19,326	-	22,745
Other income	13,384	-	-	-	-	-	13,384
Net unrealized and realized gain (loss) on investments	1,283	-	3,695	38,391	3,861	-	47,230
Internal scholarship program admin transfers	54,981	-	(4,827)	(50,154)	-	-	-
Net assets released from restrictions:							
Satisfaction of program restrictions	213,245	-	-	(146,445)	(66,800)	-	-
Total revenue	459,191	-	15,477	14,382	516,475	4,196	1,009,721
Expenses							
Licenses and fees	2,262	-	-	-	-	-	2,262
Office supplies and postage	4,738	-	-	-	-	-	4,738
Printing	1,764	-	-	-	-	-	1,764
Advertising	15	-	-	-	-	-	15
Meeting and travel	4,716	-	-	-	-	-	4,716
Contributed nonfinancial assets	160,137	-	-	-	-	-	160,137
Fundraising and special events	21,664	-	-	-	-	-	21,664
Special projects	196	-	-	-	-	-	196
Grants	58,587	-	-	-	-	-	58,587
Student emergency grants	5,423	-	-	-	-	-	5,423
Scholarships	137,613	-	-	-	-	-	137,613
Other expense	13,384	-	-	-	-	-	13,384
Contractual services	10,128	-	-	-	-	-	10,128
Miscellaneous	212	-	-	-	-	-	212
Total expenses	420,839	-	-	-	-	-	420,839
Change in net assets	38,352	-	15,477	14,382	516,475	4,196	588,882
Net assets, beginning of year	319,112	200,000	194,014	1,212,046	712,859	3,980,156	6,618,187
Net assets, end of year	\$ 357,464	\$ 200,000	\$ 209,491	\$ 1,226,428	\$ 1,229,334	\$ 3,984,352	\$ 7,207,069

See Independent Audit Report on Supplementary Information.

Black Hawk East College Foundation

Consolidated Financial Report

Year Ended June 30, 2023



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Black Hawk East College Foundation

Year Ended June 30, 2023

Table of Contents

Independent Auditor's Report.....	1
Financial Statements	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7



Independent Auditor's Report

Board of Directors
Black Hawk East College Foundation
Galva, Illinois

Opinion

We have audited the accompanying financial statements of Black Hawk East College Foundation (the "Foundation"), a nonprofit organization, a component unit of Black Hawk College District 503, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statement of activities, consolidated statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Black Hawk East College Foundation as of June 30, 2023, 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 ("GAAP").

Basis for Opinion

We conducted our audit 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 Black Hawk East College Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, 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 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 GAAS 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 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.

Wipfli LLP

Wipfli LLP

Sterling, Illinois
December 21, 2023

Black Hawk East College Foundation

Consolidated Statement of Financial Position

As of June 30, 2023

ASSETS

Cash and cash equivalents	\$	995,556
Pledges receivable, net		21,192
Accounts receivable, net		17,108
Interest receivable		1,177
Total current assets		1,035,033

Pledges receivable, non-current portion		1,677
Investments		2,992,290
Property and equipment, net		1,194,370
TOTAL ASSETS		\$ 5,223,370

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$	42,477
Total current liabilities		42,477
Total liabilities		42,477

Net assets		
Without donor restrictions		1,601,031
With donor restrictions		3,579,862
Total net assets		5,180,893

TOTAL LIABILITIES AND NET ASSETS		\$ 5,223,370
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See accompanying notes to financial statements.

Black Hawk East College Foundation

Consolidated Statement of Activities

<i>Year Ended June 30, 2023</i>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues:			
Contributions	\$ 96,405	\$ 257,473	\$ 353,878
Contributed nonfinancial assets	224,457	-	224,457
Fundraising income	552	33,391	33,943
Investment income	50,939	62,503	113,442
Farm income	4,544	-	4,544
Rental income	269,320	-	269,320
Miscellaneous	13,271	85	13,356
Net unrealized and realized gain on investments	18,720	244,923	263,643
Gain (loss) on sale of assets	(1,942)	-	(1,942)
Transfers in (out)	9,832	(9,832)	-
Net assets released from restrictions:			
Satisfaction of program restrictions	141,634	(141,634)	-
Total revenues	827,732	446,909	1,274,641
Expenses:			
Program expenses:			
Scholarships	108,020	-	108,020
Grants	90,728	-	90,728
Alumni engagement	5,949	-	5,949
Student apartments	269,454	-	269,454
Management and general expenses	265,474	-	265,474
Fundraising	19,319	-	19,319
Total expenses	758,944	-	758,944
Changes in net assets	68,788	446,909	515,697
Net assets, beginning of year	1,532,243	3,132,953	4,665,196
Net assets, end of year	\$ 1,601,031	\$ 3,579,862	\$ 5,180,893

See accompanying notes to financial statements.

Black Hawk East College Foundation

Consolidated Statement of Functional Expenses

<i>Year Ended June 30, 2023</i>	Program Services			Supporting Services			Total
	Scholarships	Grants	Alumni Engagement	Student Apartments	Fundraising	Management & General	
Administration	\$ -	\$ 476	\$ 133	\$ -	\$ 657	\$ 26,276	\$ 27,542
Donations to East Campus Farm	-	11,326	-	-	-	-	11,326
Fundraising	-	-	-	-	18,662	3,520	22,182
Grants	-	78,606	-	-	-	-	78,606
Contributed nonfinancial assets	-	-	-	-	-	224,457	224,457
Miscellaneous	-	320	5,816	-	-	10,275	16,411
Scholarships	108,020	-	-	-	-	-	108,020
Apartment	-	-	-	189,206	-	-	189,206
Depreciation	-	-	-	80,248	-	-	80,248
Total expenses	\$ 108,020	\$ 90,728	\$ 5,949	\$ 269,454	\$ 19,319	\$ 265,474	\$ 758,944

See accompanying notes to financial statements.

Black Hawk East College Foundation

Consolidated Statement of Cash Flows

Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 515,697
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	80,248
Net unrealized gains of investments	(264,465)
Changes in operating assets and liabilities:	
Pledges receivable	801
Accounts receivables	8,649
Accounts payable and accrued expenses	28,775
Contributions restricted for long-term investment	6,843
Net cash flows from operating activities	376,548
Cash flows from investing activities:	
Interest receivable	(1,177)
Purchase of property and equipment	(34,618)
Purchase of investments	(236,608)
Net cash flows from investing activities	(272,403)
Cash flows from financing activities:	
Contributions restricted for long-term investment	(6,843)
Net cash flows from financing activities	(6,843)
Net changes in cash and cash equivalents	97,302
Cash and cash equivalents, beginning of year	898,254
Cash and cash equivalents, end of year	\$ 995,556

See accompanying notes to financial statements.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Entity

Black Hawk East College Foundation (the Foundation) was founded under this name on February 23, 1968 as a non-profit, Illinois corporation. The Foundation has been organized to operate exclusively for educational purposes to assist in developing and augmenting the facilities and carrying out the educational functions of Black Hawk East College campus located in Galva, Illinois, five miles south of Kewanee, Illinois. In order to achieve such purposes, the Foundation raises funds by campaign and/or encourages the making of loans, gifts, grants, devises or bequests of money, donation of property for research and instruction, and the establishment of endowments, scholarships, and academic chairs for buildings, equipment and all other facilities of the College.

The Foundation acts in a fiduciary capacity in order to carry out the foregoing purposes by adhering to any restrictions imposed by the donor or transferor as well as managing, administering, investing and disposing of all funds received. Policies for such actions have been established by the Board and must be abided by for the direction of these actions.

There is a separate Foundation whose purpose is to provide for the Black Hawk College Quad Cities Campus. The two Foundations do not share any Board members, but each may share members with the Board of Trustees of Black Hawk College.

In December 2011, the Foundation created the Prairie Pointe Apartments LLC. The Prairie Pointe Apartments LLC was created to finance, construct and manage a student housing facility for Black Hawk College.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Black Hawk East College Foundation and the Prairie Pointe Apartments LLC. The Foundation is the sole member of the LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Foundation follows the accrual basis of accounting, recognizing revenue when earned and recording expenses when the liability is incurred.

Pledges of cash which are only in the form of letters of intent are recognized as revenues or gains in the period the intent was received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, cash receipts and disbursements. Receipts are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net assets with donor restrictions are net assets subject to donor or certain grantor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Inclusion in College Financial Statements

Black Hawk College has included the Foundation as a component unit in its financial statements in accordance with the provisions of the accounting standard, *Determining Whether Certain Organizations are Component Units*.

Cash and Cash Equivalents

For purposes of reporting the consolidated statement of cash flows, the Foundation defines cash accounts which are not subject to withdrawal restrictions or penalties with an original maturity of three months or less as cash and cash equivalents.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge. As of June 30, 2023 there were promises to give to the Foundation of \$22,869 (see Note 5).

Investments

The Foundation carries investments in marketable securities with readily determined fair values in the consolidated statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Capital Assets

Capital assets are acquired through purchase, donation, or bequest to the Foundation. Expenditures for the acquisition of property and equipment are recorded at cost and property which is donated is recorded at the fair value of the property. Fixed assets are capitalized when purchased or received as a donation. Depreciation is calculated using the straight-line method applied to historical cost or fair market value at date of donation, whichever is applicable.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenues

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Nonfinancial Assets

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributed services are recognized in the financial statements, if the services (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. For the year ending June 30, 2023 the Foundation received contributed nonfinancial assets of equipment and miscellaneous items valued at \$79,599 and contributed services from a related party of \$144,858. These amounts are included in the financial statements as contributed nonfinancial assets.

The Foundation also receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the consolidated financial statements since they do not meet the criteria for recognition as contributed services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Pending Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for periods beginning December 15, 2022. Management is currently evaluating the impact of adoption of this ASU on the financial statements and the related notes to the financial statements.

Note 2: Investments

Investments are presented in the consolidated financial statements in the aggregate at fair value.

Investments are composed of the following as of June 30, 2023:

	Cost	Fair Value
Certificates of deposit	\$ 324,596	\$ 324,596
Fixed income	10,000	9,923
Mutual funds	1,220,076	1,806,100
Stock	482,513	629,918
Annuity	221,753	221,753
Total investments measured at fair value	\$ 2,258,938	\$ 2,992,290

The following tabulation summarizes the relationship between carrying value and fair value of investment assets.

	Cost	Fair Value	Excess of Fair Value Over (Under) Cost
Balance at end of year	\$ 2,258,938	\$ 2,992,290	\$ 733,352
Balance at beginning of year	2,022,331	2,491,218	468,887
Change in unrealized appreciation			264,465
Realized net gain (loss) for the year			(822)
Total net gain (loss) for the year			\$ 263,643

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 3: Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2: Inputs to the valuation methodology include; quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis at June 30, 2023:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Certificates of deposit	\$ 324,596	\$ -	\$ 324,596	\$ -
Fixed income	9,923	-	9,923	-
Mutual funds	1,806,100	1,806,100	-	-
Stocks	629,918	629,918	-	-
Annuity	221,753	-	221,753	-
Total	\$ 2,992,290	\$ 2,436,018	\$ 556,272	\$ -

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement 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 those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ended June 30, 2023.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 3: Fair Value (Continued)

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a nonrecurring basis at June 30, 2023:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a nonrecurring basis:				
Contributed nonfinancial assets:				
Services, software, and supplies	\$ 144,858	\$ -	\$ -	\$ 144,858
Supplies and misc giveaway items	17,099	-	-	17,099
Horses	62,500	-	-	62,500
Total	\$ 224,457	\$ -	\$ -	\$ 224,457

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Nonrecurring Fair Value Measurements

The following tables represent the Foundation's Level 3 assets, the valuation techniques used to measure the fair value of the assets, the significant unobservable inputs, and the ranges of values for those inputs.

Assets	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range
Contributed services, software, and supplies	\$ 144,858	Market approach	Fair value of services contributed to Foundation	N/A
Contributed supplies and misc giveaway items	\$ 17,099	Market approach	Fair value of assets contributed to Foundation	N/A
Contributed horses	\$ 62,500	Market approach	Fair value of horses contributed to Foundation	N/A
Total	\$ 224,457			

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 4: Endowment Funds

The Foundation's endowment consists of approximately 67 individual funds for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation's funds are invested in a long-term asset allocation arrangement depending on the fund, with 45 - 60% in equities, 10% in liquid assets, 0 - 20% in real estate, and 10 - 45% in fixed income. This allocation provides for long-term total return more than the fund's spending rate. Since the 4% of market value amount is based on the market value over the prior five years, the calculation helps to iron out fluctuations in the market and ensure that a fair and reasonable distribution takes place based on a broadened time horizon while insuring the longevity of the fund through long-term market growth.

Spending Policy. Under the investment policy agreement, 4% of market value of the scholarship funds of 5 year rolling average adjusted for consumer price index will be used for scholarship awards. This percentage can be adjusted by majority vote of the Board from time-to-time.

Investment income generated by the Foundation's endowment funds are used for the benefit of the Foundation.

The endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Net Assets With Donor Restrictions
Donor-restricted endowment funds	\$ 3,531,709

Changes in endowment net assets as of June 30, 2023 are as follows:

	Net Assets With Donor Restrictions
Endowment net assets, beginning of year	\$ 3,132,953
Contributions and fundraising income	242,710
Interest and dividend income	62,503
Net unrealized gain(loss) on investments	244,923
Miscellaneous	85
Transfer out	(9,832)
Amounts released from restrictions	(141,633)
	\$ 3,531,709

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 5: Pledge Receivables

Unconditional promises are included in the consolidated financial statements as pledge receivables and revenue of the appropriate net asset category. The Foundation evaluates receivable balances and establishes an allowance for doubtful accounts, based on age of the receivables, collections and current economic considerations. Accounts receivable are written off against the allowance for uncollectible pledges when all reasonable collection efforts have been exhausted. The breakdown of pledges receivable as of June 30, 2023 is as follows:

Due in one year or less	\$	40,869
		40,869
Less allowance for uncollectible pledges		(18,000)
Pledge receivables	\$	22,869

Note 6: Other Receivables

Rent receivables for student housing and interest receivable are included in the consolidated financial statements as other receivables. Rent receivables are evaluated annually for collectability by management and an allowance for doubtful accounts is recorded as needed based on student attributes. The other receivables as of June 30, 2023 are \$57,108 and an allowance has been set up in the amount of \$(40,000) for estimated uncollectible receivables.

Note 7: Income Taxes

The Foundation qualifies for tax exempt status under Section 501(c)(3) of the Internal Revenue Code as a charitable group not organized for profit. Accordingly, no provision for income taxes is included in the consolidated financial statements. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation on unrelated business income.

The Foundation accounts for income taxes in accordance with Financial Accounting Standards Board *Accounting for Uncertainty Income Taxes*. The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Foundation recorded no liabilities for uncertain tax positions or unrecognized tax benefits.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 8: Related Parties

The Foundation expends funds either directly to or for the indirect benefit of Black Hawk East College, a related party. These expenses are for scholarships and other miscellaneous expenses. During the year, \$108,020 was expended for scholarships and \$89,832 was expended for grants. As of June 30, 2023, the Foundation had payables to the College in the amount of \$10,600.

The College pays the salaries and benefits of the Foundation's employees. The Foundation has implemented "Not-for-Profit Entities: Services Received from Employees of an Affiliate" that includes \$144,858 on the consolidated financial statements as in-kind income and the related in-kind expenses for the personnel costs incurred by the College on the Foundation's behalf.

Note 9: Capital Assets

A summary of capital assets that relate to rental property is as follows:

	Cost 6/30/2022	Additions	Retirements	Cost 6/30/2023
Land	\$ 363,232	\$ -	\$ -	\$ 363,232
Buildings and improvements	1,990,675	30,501	-	2,021,176
Equipment, furniture and appliances	282,429	4,118	-	286,547
	2,636,336	34,619	-	2,670,955
Less accumulated depreciation	(1,396,337)	(80,248)	-	(1,476,585)
Total	\$ 1,239,999	\$ (45,629)	\$ -	\$ 1,194,370

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years.

Note 10: Concentrations of Credit Risk

At year end, the carrying amount of the Foundation's deposits in checking, money market, and savings was \$995,556 and the bank balance was \$1,003,873. Of the bank balance, \$661,511 was covered by federal depository insurance and \$342,362 was uninsured.

The Foundation's investment policy relative to insured deposits, states: "this requirement is waived for any financial institution for which the capital to assets ratio (according to quarterly Call Reports) is 10% or more. In that case, the maximum combined deposits of the Foundation in that financial institution may total up to \$300,000. This Finance Committee will monitor this ratio quarterly and report the status of financial institutions in its quarterly company report."

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 10: Concentrations of Credit Risk (Continued)

For financial statement purposes, the Foundation combines cash with savings accounts and money market accounts. Certificates of deposits are shown as investments. The total carrying amount above does not include petty cash.

Note 11: Net Assets Released

The Foundation reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2023 as follows:

Scholarship	\$	104,201
Grants		1,350
Fundraising		22,985
Administrative		13,098
<hr/>		
Total	\$	141,634

Note 12: Net Assets with Restrictions

Net assets with restrictions are available as of June 30, 2023 for the following purposes:

Scholarship, special projects and grants	\$	3,531,709
Capital campaign		48,153
<hr/>		
Total	\$	3,579,862

Note 13: Agri-Business Club Alumni Agreement

The Foundation entered into an agreement on April 26, 2011 with Black Hawk East Agri-Business Club Alumni (ABCA) to further both of the parties' missions for the education programs at Black Hawk College's East Campus. ABCA funds with the Foundation as of June 30, 2023 are \$230,831.

Black Hawk East College Foundation

Notes to Consolidated Financial Statements

Note 14: Subsequent Events

The Foundation has evaluated subsequent events through December 21, 2023, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2023 have been incorporated herein.

Note 15: Liquidity

At this time, the Foundation does not have a liquidity management plan. The Foundation reviews cash balances at their Finance Committee meetings, at least once per year, but usually more often. As of June 30, 2023, the Foundation had enough cash to cover expenses for approximately 7.5 months. The Finance Committee's goal is to never have cash balances fall below the amount needed to finance expenses for 90 days. Financial assets in excess of daily cash requirements are invested to earn more revenue. Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the consolidated statement of financial position date, comprise the following as of June 30, 2023:

Financial assets available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$	995,556
Investments		2,992,290
Receivables		41,154
Less restricted		(3,579,862)
<hr/>		
Total	\$	449,138

Note 16: Contributed Nonfinancial Assets

Contributed nonfinancial assets consist of the following:

Contributed services, software, and supplies	\$	144,858
Supplies and misc giveaway items		17,099
Horses for equestrian program		62,500
<hr/>		
Total	\$	224,457

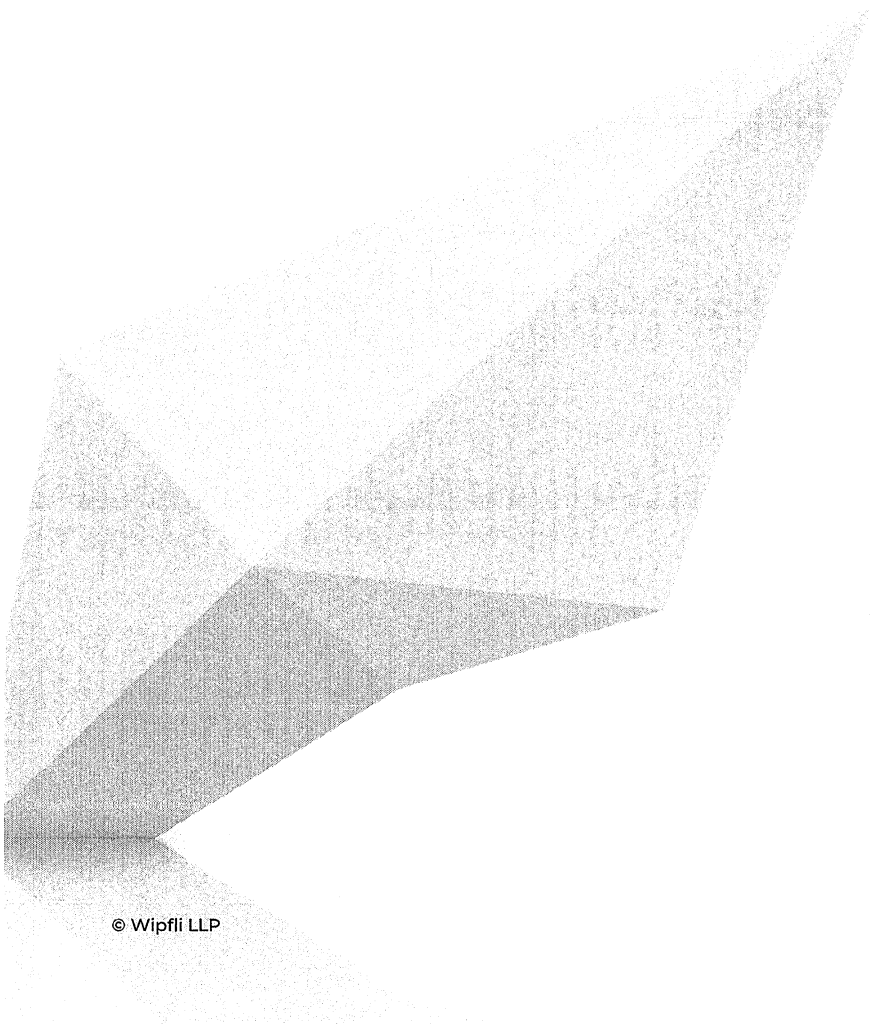
The Foundation recognizes contributed nonfinancial assets within revenues, including contributed advertising and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed fundraising giveaways were used to raise funds during events as raffle or other giveaway items. Contributed fundraising giveaways is valued and reported at the estimated fair value in the financial statements based on current rates for similar items. Contributed services recognized comprise of salaries and benefits for administrative personnel handling the operations of the Foundation, professional accounting services performed by the College employees, software, and supplies.

Black Hawk College Health Benefit Plan Trust

Moline, Illinois

Financial Statements

Year Ended December 31, 2022



**Black Hawk College
Health Benefit Plan Trust**

Table of Contents

	<u>Page Numbers</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Net Assets Available for Benefits – Cash Basis	3
Statement of Changes in Net Assets Available for Benefits – Cash Basis	4
Notes to Financial Statements	5 - 9

Independent Auditor's Report

To the Plan Administrator
Black Hawk College Health Benefit Plan Trust

Opinion

We have audited the financial statements of Black Hawk College Health Benefit Plan Trust, which comprise the statement of net assets available for benefits – cash basis as of December 31, 2022, and the related statement of changes in net assets available for benefits – cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of Black Hawk College Health Benefit Plan Trust as of December 31, 2022, and the changes in net assets available for benefits for the year then ended, in accordance with the cash basis of accounting.

Basis for Opinion

We conducted our audit 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 Black Hawk College Health Benefit Plan Trust 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 the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Auditor's Responsibility 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 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 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 Black Hawk College Health Benefit Plan Trust'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 Black Hawk College Health Benefit Plan Trust'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.

Wipfli LLP

Wipfli LLP

Rockford, Illinois
June 9, 2023

**Black Hawk College
Health Benefit Plan Trust
Statement of Net Assets
Available for Benefits - Cash Basis
December 31, 2022**

Assets

Cash	<u>\$ 1,333,213</u>
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Liabilities

-

Net assets available for benefits	<u>\$ 1,333,213</u>
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See accompanying notes to financial statements.

**Black Hawk College
Health Benefit Plan Trust
Statement of Changes in Net Assets
Available for Benefits - Cash Basis
Year Ended December 31, 2022**

Additions to net assets attributed to:

Contributions:	
Employer	\$ 5,586,189
Participants'	<u>917,975</u>

Total contributions	6,504,164
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Interest income	<u>21,803</u>
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Total additions	<u>6,525,967</u>
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Deductions from net assets attributed to:

Health benefit claims paid, net	5,663,624
Insurance premium payments	602,627
Administrative expenses	<u>154,562</u>

Total deductions	<u>6,420,813</u>
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Net increase in net assets available for benefits	105,154
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Net assets available for benefits at beginning of year	<u>1,228,059</u>
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Net assets available for benefits at end of year	<u>\$ 1,333,213</u>
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See accompanying notes to financial statements.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 1. Description of Plan

The following description of the Black Hawk College Health Benefit Plan Trust (the "Plan") provides only general information. Participants should refer to the plan document and trust agreement for more complete descriptions of the provisions.

General

The Plan provides health benefits to substantially all full-time employees of Black Hawk College (the "College"), their covered dependents, former employees electing coverage under federally mandated benefit provisions, and retirees separating from the College under certain voluntary separation plans and their covered dependents. The definition of a full-time employee includes employees scheduled to work at least 30 hours per week and who are on the regular payroll of Black Hawk College, as well as, regular part-time employees and employees separated from service under a certain voluntary separation plan. Participants are eligible for coverage on the first day of employment when coverage is applied for within 31 days of the eligibility date.

Certain Plan assets are held in a voluntary employees' beneficiary association (VEBA) trust.

Benefits

The Plan provides health benefits (medical, vision, dental and prescription drugs) to employees and their covered dependents. The Plan also provides similar benefits to individuals covered under Consolidated Omnibus Budget Reconciliation Act (COBRA) and certain retirees participating within the State Universities Retirement System of Illinois (SURS).

Contributions

The cost of providing benefits under the Plan is shared by the College and participating employees. Employees make contributions to the Plan for their insurance coverage based on contract amounts.

The College determines the amount to be contributed by the employees based on actuarial calculations and contractual agreements with certain employee groups. It is the College's intent to fund any future excess of benefit obligations over net assets with future College contributions.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 1. Description of Plan (Continued)

Stop Loss Coverage

The Plan has entered into a stop loss insurance arrangement in an effort to limit its exposure for self-insured benefits (individual participant claims over a specific dollar amount, as well as its aggregate exposure for all claims).

Self-Insured Benefits

All of the other Plan benefits are self-insured, subject to the stop loss coverage. The claims for self-insured benefits are processed by the Plan's third-party claims processors under administrative services only (ASO) arrangements. The claims processor pays claims directly to or on behalf of participants and are then reimbursed by the Plan. Despite the Plan's utilization of third-party claim's processors, ultimate responsibility for payments to providers and participants is retained by the Plan.

The Plan utilizes a pharmacy benefit manager (PBM) which periodically makes rebates to the Plan based on the Plan's actual utilization pattern of specific drugs. Rebates have been netted with claims paid in the accompanying statement of changes in net assets available for benefits – cash basis for the year ended December 31, 2022 totaling \$309,800.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States primarily because the effects of contributions receivable and liabilities are not included in the financial statements.

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Estimates (Continued)

The obligation for claims payable and claims incurred but not reported is based on certain assumptions of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements; see Note 7 for further discussion.

Payment of Benefits

Health benefits are recorded when paid, net of refunds.

Tax Status

The VEBA trust funding certain benefits of the Plan received an exemption letter from the Internal Revenue Service (IRS) dated May 6, 2003, stating that the trust is tax-exempt under the provisions of Section 501(c)(9) of the Internal Revenue Code (IRC). However, as a result of the Plan's funding policy, from time to time the trust may be subject to income taxes. No income taxes have been recorded in the current year for unrelated business taxable income.

In addition, the Plan and the trust are required to operate in conformity with the IRC to maintain the tax-exempt status of the trust. The plan administrator believes that the Plan is being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. The Plan is subject to routine audits by the taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Plan has evaluated the impact of all subsequent events through June 9, 2023, which is the date the financial statements were available to be issued.

Note 3. Cash

The entire cash balance was covered by federal depository insurance or by collateral held by the Plan's agent in the Plan's name.

Note 4. Claim Payments

All health benefit claims are processed and paid in accordance with Plan provisions by a third party under terms of an administrative services agreement.

The Plan has entered into a stop loss insurance arrangement in an effort to limit exposure for self-insured benefits (individual claims over a specific dollar amount, as well as its aggregate exposure for all claims). The stop loss insurance covers health and prescription drug claims. The maximum aggregate eligible claims expense is \$145,000 per participant per year. The maximum aggregate benefit (in excess of the annual aggregate deductible per policy term) is \$1,000,000.

Stop loss insurance refunds have been netted with claims paid in the accompanying statement of changes in net assets available for benefits – cash basis for the year ended December 31, 2022 totaling \$1,137,446.

**Black Hawk College
Health Benefit Plan Trust**

Notes to Financial Statements

Note 5. *Priorities Upon Termination*

Although it has not expressed any intention to do so, the College reserves the right to terminate the Plan at any time.

Upon termination, the trustee shall first settle claims accrued prior to the date of termination and shall thereafter disburse the residue, if any, to provide the covered participants with similar benefits to the extent of the funds remaining. The College and covered participants have no obligation to make additional contributions to the Plan upon termination.

Note 6. *Administrative Expenses and Party-in-Interest Transactions*

The Plan has arrangements with service providers and a financial institution. These transactions are party-in-interest transactions. Insurance premium payments and administrative expenses were paid by the College and subsequently reimbursed by the Plan.

The administrative expenses were as follows:

Administrative fees	\$ 81,174
PPO network access	69,978
Professional fees	<u>3,410</u>
Total	<u>\$154,562</u>

Note 7. *Claims Payable and Claims Incurred but Not Reported*

The obligation for claims payable and claims incurred but not reported (IBNR) represents estimated amounts of claims reported and incurred but not reported for participants as of December 31, 2022.

The IBNR as of December 31, 2022 totaled approximately \$860,000, which is estimated by the Plan's management based on a claim lag analysis provided by the third party administrators from participants' claims processed during the period of January 1, 2023 through February 28, 2023, that were incurred on or before December 31, 2022, plus an estimated additional reserve for claims incurred on or before December 31, 2022, that had not yet been reported to the administrators as of the date of their claim analysis. The net decrease in the IBNR from December 31, 2021 to the year ended December 31, 2022 was approximately \$290,000.