DALLAS COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

(A Texas Nonprofit Organization)

Financial Statements and
Independent Auditors' Report
Years Ended August 31, 2013 and 2012

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.
(A Texas Nonprofit Organization)

Years Ended August 31, 2013 and 2012

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities – Year Ended August 31, 2013	4
Statement of Activities – Year Ended August 31, 2012	5
Statements of Cash Flows	6
Notes to the Financial Statements	7

McCONNELL & JONES LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dallas County Community College District Foundation, Inc.

We have audited the accompanying statements of financial position of Dallas County Community College District Foundation, Inc. (the "Foundation") as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion on the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3040 Post Oak Blvd., Suite 1600
Houston, TX 77056
Phone: 713.968.1600
Fax: 713.968.1601

WWW.MCCONNELLJONES.COM

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of August 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement of Prior Year Financial Statement

As discussed in Note L to the financial statements, in the current fiscal year, the Foundation restated its fiscal year 2012 statement of activities, to correct previous misclassifications of net realized and unrealized gains on permanent endowments. Our opinion is not modified with respect to this matter.

McConnell & Jones LLP

Houston, Texas
December 9, 2013

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.
(A Texas Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 5,336,598	$ 4,104,473
Investments	5,680,954	2,601,185
Accrued interest and dividends receivable	46,746	52,368
Contributions receivable, net	291,426	1,133,333
Other assets	11,125	10,799
Total current assets	11,366,849	7,902,158
Noncurrent Assets:		
Cash equivalents restricted for endowments	1,326,801	2,560,233
Investments restricted for endowments	23,161,456	22,894,145
Contributions receivable, net	-	1,917,703
Total noncurrent assets	24,488,257	27,372,081
TOTAL ASSETS	$ 35,855,106	$ 35,274,239
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Due to affiliate	$ 180,982	$ 557,332
Accounts payable	30,164	7,299
Total current liabilities	211,146	564,631
Total liabilities	211,146	564,631
Net Assets:		
Unrestricted	1,056,537	638,322
Temporarily restricted	9,307,306	6,569,081
Permanently restricted	25,280,117	27,502,205
Total net assets	35,643,960	34,709,608
TOTAL LIABILITIES AND NET ASSETS	$ 35,855,106	$ 35,274,239

The accompanying notes are an integral part of the financial statements.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2013

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES				
Contributions	$ 122,320	$ 1,577,463	$ 97,556	$ 1,797,339
Interest and dividend income	83,366	407,177	-	490,543
Contributed employees' salaries and benefits	560,774	-	-	560,774
Net realized and unrealized gains on investments	478,698	1,971,987	-	2,450,685
Net assets released from restrictions	3,538,046	(1,202,157)	(2,335,889)	-
TOTAL REVENUES	4,783,204	2,754,470	(2,238,333)	5,299,341
EXPENSES				
Program services:				
Scholarship awards	595,057	-	-	595,057
Grants	739,427	-	-	739,427
Total program services	1,334,484	-	-	1,334,484
Non-program services:				
Management and general	2,917,063	-	-	2,917,063
Fundraising	113,442	-	-	113,442
Total non-program services	3,030,505	-	-	3,030,505
TOTAL EXPENSES	4,364,989	-	-	4,364,989
Transfers between funds, based on donor instructions	-	(16,245)	16,245	-
CHANGE IN NET ASSETS	418,215	2,738,225	(2,222,088)	934,352
NET ASSETS, BEGINNING OF YEAR	638,322	6,569,081	27,502,205	34,709,608
NET ASSETS, END OF YEAR	$ 1,056,537	$ 9,307,306	$25,280,117	$35,643,960

The accompanying notes are an integral part of the financial statements.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.

STATEMENT OF ACTIVITIES (RESTATED)
YEAR ENDED AUGUST 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions	$ 132,686	$ 965,203	$ 613,612	$ 1,711,501
Interest and dividend income	61,701	505,487	-	567,188
Contributed employees' salaries and benefits	580,736	-	-	580,736
Net realized and unrealized gains on investments	77,380	873,682	-	951,062
Net assets released from restrictions	1,759,808	(1,759,808)	-	-
TOTAL REVENUES	2,612,311	584,564	613,612	3,810,487
EXPENSES				
Program services:				
Scholarship awards	936,104	-	-	936,104
Grants	893,651	-	-	893,651
Total program services	1,829,755	-	-	1,829,755
Non-program services:				
Management and general	596,796	-	-	596,796
Fundraising	142,459	-	-	142,459
Total non-program services	739,255	-	-	739,255
TOTAL EXPENSES	2,569,010	-	-	2,569,010
Transfers between funds, based on donor instructions	950	(950)	-	-
CHANGE IN NET ASSETS	44,251	583,614	613,612	1,241,477
NET ASSETS, BEGINNING OF YEAR, WITH RESTATED UNRESTRICTED AND TEMPORARILY RESTRICTED BALANCES	594,071	5,985,467	26,888,593	33,468,131
NET ASSETS, END OF YEAR	$ 638,322	$ 6,569,081	$27,502,205	$34,709,608

The accompanying notes are an integral part of the financial statements.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 934,352	$ 1,241,477
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(97,556)	(613,612)
Allowance for uncollectible contributions receivable	2,335,889	-
Net realized and unrealized gains on investments	(2,450,685)	(951,062)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	5,622	(319)
Contributions receivable	423,721	(30,630)
Other assets	(326)	(193)
Due to affiliate	(376,350)	392,055
Accounts payable	22,865	(12,657)
Total adjustments	(136,820)	(1,216,418)
Net cash provided by operating activities	797,532	25,059
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment sales	5,068,522	3,255,495
Purchases of investments	(4,731,485)	(4,242,100)
Net cash provided by/(used in) investing activities	337,037	(986,605)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowments	97,556	613,612
Net cash provided by financing activities	97,556	613,612
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,232,125	(347,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,104,473	4,452,407
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,336,598	$ 4,104,473

The accompanying notes are an integral part of the financial statements.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

NOTE A – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Dallas County Community College District Foundation, Inc. (the "Foundation") is a nonprofit organization established in 1973. The Foundation's sole purpose is to provide benefits such as scholarships and grants to the Dallas County Community College District (the "District"), and to the students, faculty, and staff of the District's seven colleges, and R. Jan LeCroy Center for Educational Telecommunications.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis financial reporting framework, in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- **Unrestricted Net Assets** – These are net assets that are not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.
- **Temporarily Restricted Net Assets** – These are net assets that are subject to donor-imposed stipulations that require the passage of time and/or the occurrence of a specific event, for them to be used.
- **Permanently Restricted Net Assets** – These are net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

In addition, the Foundation is required by FASB ASC Topic 958-205 to present a statement of cash flows.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash equivalents included in cash and cash equivalents at August 31, 2013 and 2012, amounted to $2,483,895 and $1,512,349, respectively. Cash and cash equivalents that are restricted for long-term purposes, including those restricted for endowments, or are not available for the Foundation's general use have been reported as noncurrent assets in the statements of financial position.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Realized and unrealized gains and losses are reported in the statements of activities.

The Foundation maintains an investment management agreement with Smith Asset Management Group, L.P.; Vanguard; Acadian Asset Management, LLC; Columbia Management; Harbor Funds; IVA Funds; Third Avenue; Perkins Investment Fund; and Barrow Henley, Mewhinney and Strauss whereby these investment managers manage the Foundation's investments in a manner consistent with the investment goals and policies established by the Foundation's Board of Directors.

Revenue Recognition

In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received by the Foundation are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized as revenues in the period unconditional promises to give are received by the Foundation. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using the risk-free rate as of the date the unconditional promise to give was received by the Foundation. Amortization of discounts is recorded as additional contributions in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. Amounts deemed by management to be uncollectible are charged to expenses. Recoveries on receivables previously charged-off are credited to expenses. Management believes that all outstanding pledges are collectible and no allowance is necessary as of August 31, 2013 and 2012.

Interest income is recognized on the accrual basis. Dividends are recorded on the ex-dividend date.

Contributed Services

The salaries of certain Foundation employees have been donated by the District. The estimated fair value of these contributed services is $560,774 and $580,736 for fiscal years 2013 and 2012, respectively, and has been included in contributed employees' salaries and benefits in the revenues section, and management and general expenses in the accompanying statements of activities.

The District also provides office space and equipment at no cost to the Foundation. Because the Foundation does not have a clearly measurable basis to estimate the value of these contributed facilities and equipment, no amounts have been reflected in the financial statements.

Federal Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) of 1986, as amended, as an organization described in Section 501(c)(3) of the Code. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under Section 511 of the Code. The Foundation did not conduct any unrelated business activities in fiscal years 2013 and 2012. Therefore, the Foundation has made no provision for federal income taxes in the accompanying financial statements. Accordingly, contributions to the Foundation are tax deductible within the limitations prescribed by the Code. The Foundation has also been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Foundation applies the provisions of FASB ASC Topic 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC Topic 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Federal income tax returns of the Foundation for years 2010 through 2012 are still subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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 certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements are present values of contributions receivable expected to be received beyond one year.

New Accounting Pronouncements

In October 2012, the FASB issued Accounting Standards Update (ASU) 2012-05 – Statement of Cash Flows (Topic 230), *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated assets that upon receipt were directed without any limitations for sale imposed by the not-for-profit entity and were converted nearly immediately into cash. This update will be effective for the Foundation's fiscal year 2014 annual financial statements. Management does not anticipate that this update will significantly affect the Foundation's financial statements.

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, Topic 820: *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)*. ASU 2011-04 requires the reporting entity to disclose the following for Level 3 fair value measurements; (a) quantitative information about unobservable inputs used; (b) a description of the valuation processes used; and (c) a qualitative discussion about the sensitivities of the measurements (for public entities only). The guidance is effective for interim and annual periods beginning after December 15, 2011. As of August 31, 2013 and 2012, the Foundation did not have any investments that require Level 3 fair value measurements. The adoption of ASU 2011-04 did not have a material impact on the Foundation's net assets. Please see Note I for additional disclosures related to this adoption.

NOTE B – INVESTMENTS

Investments are composed of the following as of August 31:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Corporate bonds	$ 3,361,540	$ 4,959,714	$ 3,543,697	$ 5,349,057
Corporate stocks	3,575,686	4,311,847	3,907,533	4,879,681
Mutual funds	16,955,772	19,570,849	14,402,479	15,266,592
	$ 23,892,998	$ 28,842,410	$ 21,853,709	$ 25,495,330

Investment securities are exposed to various risks, such as interest rate, custodial and market credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term, and that such changes could significantly affect the amounts reported in the financial statements.

For the years ended August 31, 2013 and 2012, the components of investment earnings are:

	2013	2012
Interest and dividend income	$ 490,543	$ 567,188
Net gain on investments carried at fair value	2,450,685	951,062
Total return on investments	$ 2,941,227	$ 1,518,250

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give:

	August 31,	
	2013	2012
Contributions receivable	$ 2,741,667	$ 3,166,667
Less allowance for uncollectible receivable	(2,335,889)	-
Less unamortized discount ranging from 0.17% to 3.84% at August 31, 2013 and 0.68% to 3.84% at August 31, 2012	(114,352)	(115,631)
	$ 291,426	$ 3,051,036

The maturity of contributions receivable as of August 31is as follows:

	2013	2012
Maturing in less than one year	$ 291,426	$ 1,133,333
Maturing between one and five years	-	1,917,703
Total contributions receivable	$ 291,426	$ 3,051,036

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	August 31,	
	2013	**2012**
Student scholarship for tuition and books	$ 2,994,348	$ 4,681,344
Professional development, student related activities, and program support	6,312,958	1,887,737
	$ 9,307,306	$ 6,659,081

NOTE E – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are maintained for the benefit of the following:

	August 31,	
	2013	**2012**
Student scholarship for tuition and books	$ 24,256,144	$ 26,479,368
Professional development, student related activities, and program support	1,023,973	1,022,837
	$ 25,280,117	$ 27,502,205

The Foundation's permanently restricted net assets are restricted to investments in perpetuity, although the income from these permanently restricted assets is available for scholarships and grants.

NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consisting of temporarily restricted funds were due mainly to satisfaction of purpose restrictions, and amounted to $3,538,046 and $1,759,808 for the years ended August 31, 2013 and 2012, respectively.

NOTE G – CONCENTRATION OF CREDIT RISK

The Foundation maintains deposits in financial institutions which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation's deposit account balances that were fully insured under the Dodd-Frank Wall Street Reform and consumer Protection Act at August 31, 2012 was approximately $3,210,979.The Foundation's deposit account balance exceeded the federally insured limit by approximately $3,307,743 and $299,811 as of August 31, 2013 and 2012, respectively, which was not otherwise insured. The Foundation did not experience any losses in such accounts.

NOTE H – TRANSACTIONS WITH RELATED PARTIES

The Foundation's payments to the District for scholarships and grants amounted to $896,555 and $1,322,608 for fiscal years 2013 and 2012, respectively. At August 31, 2013 and 2012, the Foundation recorded a total of $180,982 and $557,332, respectively, for scholarships and grants payable to the District.

Also, as described in the Contributed Services paragraph of Note A, the District paid the salaries and benefits of certain Foundation's employees and the estimated fair value of these contributed services is $560,774 and $580,736 for fiscal years 2013 and 2012, respectively. Further, the District also provided office space and equipment at no cost to the Foundation. Because the Foundation does not have a clearly measurable basis to estimate the value of these contributed facilities and equipment, no amounts have been reflected in the Foundation's financial statements.

NOTE I – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements*, provides a framework for measuring fair value. FASB ASC Topic 820 also establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs).

The fair value hierarchy in FASB ASC Topic 820 prioritizes fair value measurements into three levels based on the nature of the inputs. The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1 – Investments in this category are valued based on quoted prices in active markets for identical assets that are accessible at the measurement date. An active market is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Investments in this category are valued based on inputs, in the absence of actively quoted market prices, which are observable for the asset, either directly or indirectly. Level 2 inputs include: (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset such as interest rates and yield curves observable at commonly quoted intervals, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Investments in this category are valued based on unobservable inputs for asset. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

The asset's 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.

Following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of:

August 31, 2013	**Fair value measurement using input considered as:**			
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed income securities	$ -	$4,959,714	$ -	$ 4,959,714
Equity investments	4,311,847	-	-	4,311,847
Mutual funds	16,397,237	3,173,582	-	19,570,849
	$20,709,084	$8,133,296	$ -	$28,842,410

August 31, 2012	**Fair value measurement using input considered as:**			
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed income securities	$ -	$5,349,057	$ -	$ 5,349,057
Equity investments	4,879,681	-	-	4,879,681
Mutual funds	13,078,144	2,188,448	-	15,266,592
	$17,957,825	$7,537,505	$ -	$ 25,495,330

Change in valuation techniques may result in transfers in or out of an investment's assigned level within hierarchy. The investment Portfolio recognizes transfers between fair value hierarchy levels at approximate date of the event or change in circumstances that cause the transfer. There were no significant transfers between Levels 1, 2 and 3 during the year.

NOTE J – ENDOWMENTS

The Foundation's endowment consists of approximately 140 individual funds established for a variety of purposes. These individual funds consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

On September 1, 2007, the State of Texas adopted the Uniform Prudent Management of Investment Funds Act ("UPMIFA"). UPMIFA provides standards and guidelines for the management, investment, and expenditure of charitable funds and for endowment spending by institutions organized and operated exclusively for a charitable purpose. The purposes of UPMIFA are to modernize rules, to articulate prudence standards, and to provide guidance and authority for the management and investment of charitable funds and for endowment spending. The new act provides greater direction with respect to making prudent determinations and requires charities to focus on donor intent and the purpose of endowment funds when managing institutional funds.

FASB ASC Topics 958-205-50-1A through 50-2, *Reporting Endowment Funds*, provide guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to an enacted version of UPMIFA; and improves disclosures about an organization's endowment funds (both donor restricted funds and funds functioning as an endowment), regardless of whether it is subject to UPMIFA. The FASB ASC Topics 958-205-50-1A through 50-2 require an organization to classify a portion of a donor-restricted endowment fund (other than a term endowment) as permanently restricted net assets. That portion is equal to the amount of the fund that: (1) must be retained permanently, in accordance with explicit donor stipulations, or (2) that, in the absence of such stipulations, the not-for-profit's governing board determines must be retained permanently under the relevant law.

As permitted by accounting standards generally accepted in the United States of America, income earned on endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as well as based on management's prudent determinations.

Interpretation of Relevant Law

The management of the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

DALLAS COUNTY COMMUNITY COLLEGE DISTRICT
FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2013 AND 2012

Endowment Net Asset Composition by Type of Fund as of August 31, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,260,212	$ 27,616,006	$ 33,876,218
Board restricted endowment funds	7,446	-	-	7,446
Total	$ 7,446	$ 6,260,212	$ 27,616,006	$ 33,883,664
Endowment net assets, beginning of year	$ 7,062	$ 5,199,368	$ 27,502,205	$ 32,708,635
Contributions	-	-	97,556	97,556
Investment income:				
Dividends and interest	118	1,971,987	-	1,972,105
Net realized and unrealized gains on investments	266	407,177	-	407,443
Transfer-In	-	-	16,245	16,245
Released from restrictions	-	-	(2,335,889)	(2,335,889)
Amount appropriated for expenditures	-	(1,318,320)	-	(1,318,320)
Endowment net assets, end of year	$ 7,446	$ 6,260,212	$ 25,280,117	$ 31,547,775

Endowment Net Asset Composition by Type of Fund as of August 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 5,199,368	$ 27,502,205	$ 31,701,573
Board restricted endowment funds	7,062	-	-	7,062
Total	$ 7,062	$ 5,199,368	$ 27,502,205	$ 32,708,635
Endowment net assets, beginning of year	$ 6,882	$ 4,449,797	$ 26,888,593	$ 31,345,272
Contributions	-	-	613,612	613,612
Investment income:				
Dividends and interest	37	505,487	-	505,524
Net realized and unrealized gains on investments	143	873,682	-	873,825
Amount appropriated for expenditures	-	(629,598)	-	(629,598)
Endowment net assets, end of year	$ 7,062	$ 5,199,368	$ 27,502,205	$ 32,708,635

Investment Return Objectives and Risk Parameters

The Foundation board has adopted investment and spending policies for endowment assets that attempt to preserve the real (inflation-adjusted) purchasing power of the trust assets, to provide an adequate level of income to meet the original intent of the Foundation's benefactors and to maximize the total rate of return earned by the trust without assuming an unreasonable degree of risk. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the investment objective for the fixed income is to outperform (net of fees) the Barclays Intermediate Government/Credit Index. The investment objective for the equity fund is to outperform (net of fees) the Russell 1000 and/or the S&P 500 Stock Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation will make earnings available each year for use by endowment supported funds. The available funds will be up to 5% of the three year average of the aggregate investment portfolio market value at December 31st of the year preceding the disbursement of the funds. The spending limit will not exceed 5% of the December 31st market value. An amount in excess of the annual spending limit will be permitted for programs and endowments where donors have determined a need for a higher level of spending.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objectives to preserve the real (inflation-adjusted) purchasing power of the trust assets, to provide an adequate level of income to meet the original intent of the Foundation's benefactors and to maximize the total rate of return earned by the trust without assuming an unreasonable degree of risk.

NOTE K – NET ASSET VALUE PER SHARE

In accordance with FASB Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, the Foundation expanded its disclosure to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value (NAV) per share or its equivalent for which the fair value is not readily determinable as of August 31, 2013 and 2012.

For the Foundation, such assets include investments in fixed income funds. Investments in the fund are valued at a net asset value of $16.15 and $16.53 per unit, as of August 31, 2013 and 2012, respectively, and the Foundation had 307,010 and 323,646 units as of August 31, 2013 and 2012, respectively.

The following table sets forth a summary of the investments for which the fair value has been estimated using the NAV of the investments.

	Fair Value Estimated Using NAV per Share August 31, 2013 and 2012					
	Fair Value as of August 31, 2013	Fair Value as of August 31, 2012	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Barrow, Hanley, Mewhinney & Strauss – BHMS Core Fixed Income Fund (a)	$ 4,959,714	$ 5,349,027	None	Daily	None	30 days
Total	$ 4,959,714	$ 5,349,027				

(a) The fund seeks to provide long term total return with prudent risk of principal by investing in U.S. investment –grade fixed income securities with diversified maturities.

NOTE L – RESTATEMENT OF PRIOR YEAR'S BEGINNING NET ASSET CLASSIFICATIONS

In fiscal year 2012 and in various years prior to fiscal year 2012, the Foundation classified net realized and unrealized gains on certain permanently restricted investments as increases in unrestricted net assets. Accounting principles generally accepted in the United States of America require that if incomes from permanently restricted assets are restricted by purpose or time by the donors, such income should be recorded as increases in temporarily restricted net assets. In the current fiscal year, the Foundation determined that income from those permanently restricted investments described above in this paragraph are restricted by donors for payments of scholarships. Accordingly, such income should have been recorded as increases in temporarily restricted net assets, instead of increases in unrestricted net assets.

In addition, as described in Note J, the Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion (in most instances inclusive of the difference between the fair value and the original value of gifts donated to the permanent endowment) of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following table presents the adjustments the Foundation has made to the relevant classes of net assets as of September 1, 2011 (i.e., the beginning of fiscal year 2012), to correct the prior misclassifications of net realized and unrealized gains on investments related to permanent endowments.

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Amount previously reported as of August 31, 2011	$ 2,893,448	$ 3,686,090	$ 26,888,593	$ 33,468,131
Reclassifications of incomes from permanently restricted investments	(2,299,377)	2,299,377	-	-
Beginning net assets, with restated unrestricted and temporarily restricted balances, as of September 1, 2011	$ 594,071	$ 5,985,467	$ 26,888,593	$ 33,468,131

NOTE M – CONDITIONAL PROMISE TO GIVE

In March 2013, the Foundation received a $1.8 million commitment from a donor, payable in 3 annual installments contingent upon the terms of the promise, including the donor's right at its sole discretion to suspend or cancel the promise. First annual installment of $600,000 was received and recognized as revenue in fiscal year 2013, by the Foundation. The balance of $1.2 million was considered a conditional promise to give at August 31, 2013.

NOTE N – SUBSEQUENT EVENTS

On December 9, 2013, the Foundation became aware that an endowment pledge receivable of $2,335,889 (net of unamortized discount) would not be honored. The Foundation has made an allowance for this amount as of August 31, 2013.

Management has evaluated subsequent events through December 9, 2013; the date financial statements were available to be issued. Except as described in the first paragraph of this note, no changes were necessary to be made to the financial statements as a result of this evaluation.