

Financial Statements and Report of Independent Certified Public Accountants  
**Dallas County Community College District Foundation, Inc.**  
August 31, 2015 and 2014

**Dallas County Community College District Foundation, Inc.**  
(A Texas Nonprofit Organization)

Years Ended August 31, 2015 and 2014

Table of Contents

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities – Year Ended August 31, 2015	4
Statement of Activities – Year Ended August 31, 2014	5
Statements of Cash Flows	6
Notes to the Financial Statements	7



## Report of Independent Certified Public Accountants

**Grant Thornton LLP**  
1717 Main Street, Suite 1800  
Dallas, TX 75201-4667  
**T** 214.561.2300  
**F** 214.561.2370  
GrantThornton.com  
linkd.in/GrantThorntonUS  
twitter.com/GrantThorntonUS

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

We have audited the accompanying financial statements of Dallas County Community College District Foundation, Inc., a Texas nonprofit organization, (the "Foundation"), which comprise the statements of financial position as of August 31, 2015, 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 from 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. 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dallas County Community College District Foundation, Inc. as of August 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matter**

The financial statements of the Foundation as of and for the year ended August 31, 2014 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2014 financial statements in their report dated November 11, 2014. The accompanying 2014 comparative information, derived from the financial statements audited by the other auditors, has not been audited, reviewed, or compiled by us, and accordingly, we do not express an opinion or any other form of assurance on it.

GRANT THORNTON LLP

Dallas, Texas  
November 17, 2015

**Dallas County Community College District Foundation, Inc.**  
(A Texas Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION

August 31,

ASSETS	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 6,226,115	\$ 5,414,188
Investments	9,611,127	9,355,456
Accrued interest and dividends receivable	49,898	48,691
Contributions receivable, net	160,000	449,266
Other assets	<u>11,238</u>	<u>11,296</u>
Total current assets	<u>\$16,058,378</u>	<u>\$15,278,897</u>
Noncurrent assets:		
Cash equivalents restricted for endowments	\$ 2,207,874	\$ 1,567,130
Investments restricted for endowments	22,840,263	23,676,849
Contributions receivable, net	<u>395,148</u>	<u>19,942</u>
Total noncurrent assets	<u>25,443,285</u>	<u>25,263,921</u>
Total assets	<u>\$41,501,663</u>	<u>\$40,542,818</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Due to affiliate	\$ 310,456	\$ 209,773
Accounts payable	<u>7,515</u>	<u>5,057</u>
Total current liabilities	<u>317,971</u>	<u>214,830</u>
Total liabilities	<u>317,971</u>	<u>214,830</u>
Net Assets:		
Unrestricted	1,714,761	2,044,458
Temporarily restricted	12,600,857	12,854,828
Permanently restricted	<u>26,868,074</u>	<u>25,428,702</u>
Total net assets	<u>41,183,692</u>	<u>40,327,988</u>
Total liabilities and net assets	<u>\$41,501,663</u>	<u>\$40,542,818</u>

The accompanying notes are an integral part of these statements.

**Dallas County Community College District Foundation, Inc.**  
(A Texas Nonprofit Organization)

STATEMENT OF ACTIVITIES

Year ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions	\$ 79,128	\$ 2,797,278	\$ 1,436,659	\$ 4,313,065
Interest and dividend income	443,052	1,066,068	-	1,509,120
Contributed employees' salaries and benefits	627,379	-	-	627,379
Net realized and unrealized (losses) on investments	(560,623)	(1,492,301)	-	(2,052,924)
Net assets released from restrictions	<u>2,624,903</u>	<u>(2,624,903)</u>	<u>-</u>	<u>-</u>
Total revenues	3,213,839	(253,858)	1,436,659	4,396,640
<b>EXPENSES</b>				
Program services:				
Scholarship awards	1,054,610	-	-	1,054,610
Grants	<u>1,663,549</u>	<u>-</u>	<u>-</u>	<u>1,663,549</u>
Total program services	2,718,159	-	-	2,718,159
Non-program services:				
Management and general	705,384	-	-	705,384
Fundraising	<u>117,393</u>	<u>-</u>	<u>-</u>	<u>117,393</u>
Total non-program services	<u>822,777</u>	<u>-</u>	<u>-</u>	<u>822,777</u>
Total expenses	<u>3,540,936</u>	<u>-</u>	<u>-</u>	<u>3,540,936</u>
Transfers between funds, based on donor instructions	<u>(2,600)</u>	<u>(113)</u>	<u>2,713</u>	<u>-</u>
Changes in net assets	(329,697)	(253,971)	1,439,372	855,704
Net assets, beginning of year	<u>2,044,458</u>	<u>12,854,828</u>	<u>25,428,702</u>	<u>40,327,988</u>
Net assets, end of year	<u>\$1,714,761</u>	<u>\$12,600,857</u>	<u>\$26,868,074</u>	<u>\$41,183,692</u>

The accompanying notes are an integral part of this statement.

**Dallas County Community College District Foundation, Inc.**

STATEMENT OF ACTIVITIES

Year ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>REVENUES</b>				
Contributions	\$ 41,295	\$ 1,920,296	\$ 86,625	\$ 2,048,216
Interest and dividend income	264,101	685,007	-	949,108
Contributed employees' salaries and benefits	487,087	-	-	487,087
Net realized and unrealized gains on investments	1,022,020	2,621,453	-	3,643,473
Net assets released from restrictions	<u>1,617,144</u>	<u>(1,617,144)</u>	<u>-</u>	<u>-</u>
Total revenues	3,431,647	3,609,612	86,625	7,127,884
<b>EXPENSES</b>				
Program services:				
Scholarship awards	948,308	-	-	948,308
Grants	<u>851,972</u>	<u>-</u>	<u>-</u>	<u>851,972</u>
Total program services	1,800,280	-	-	1,800,280
Non-program services:				
Management and general	507,125	-	-	507,125
Fundraising	<u>136,451</u>	<u>-</u>	<u>-</u>	<u>136,451</u>
Total non-program services	<u>643,576</u>	<u>-</u>	<u>-</u>	<u>643,576</u>
Total expenses	2,443,856	-	-	2,443,856
Transfers between funds, based on donor instructions	<u>130</u>	<u>(62,090)</u>	<u>61,960</u>	<u>-</u>
Change in net assets	987,921	3,547,522	148,585	4,684,028
Net assets, beginning of year	<u>1,056,537</u>	<u>9,307,306</u>	<u>25,280,117</u>	<u>35,643,960</u>
Net assets, end of year	<u>\$2,044,458</u>	<u>\$12,854,828</u>	<u>\$25,428,702</u>	<u>\$40,327,988</u>

The accompanying notes are an integral part of this statement.

**Dallas County Community College District Foundation, Inc.**

STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 855,704	\$ 4,684,028
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions restricted for long-term purposes	(1,436,659)	(86,625)
Net realized and unrealized losses (gains) on investments	2,052,924	(3,643,473)
Changes in operating assets and liabilities		
Accrued interest and dividends receivable	(1,207)	(1,945)
Contributions receivable	(85,940)	(177,782)
Other assets	58	(171)
Due to affiliate	100,683	28,791
Accounts payable	<u>2,458</u>	<u>(25,107)</u>
Net cash provided by operating activities	<u>1,488,021</u>	<u>777,716</u>
Cash flows from investing activities:		
Proceeds from investment sales	7,340,737	4,902,251
Purchases of investments	<u>(9,453,489)</u>	<u>(5,689,002)</u>
Net cash (used in) provided by investing activities	<u>(2,112,752)</u>	<u>(786,751)</u>
Cash flows from financing activities:		
Contributions restricted for endowments	<u>1,436,659</u>	<u>86,625</u>
Increase in cash and cash equivalents	811,928	77,590
Cash and cash equivalents, beginning of year	<u>5,414,188</u>	<u>5,336,598</u>
Cash and cash equivalents, end of year	<u>\$ 6,226,115</u>	<u>\$ 5,414,188</u>

The accompanying notes are an integral part of these statements.



## Dallas County Community College District Foundation, Inc.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2015 and 2014

#### 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, 2015 and 2014, amounted to \$2,089,108 and \$3,376,716, 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.

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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; Harbor Funds; IVA Funds; 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, 2015 and 2014.

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 \$627,379 and \$487,087 for fiscal years 2015 and 2014, 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.

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 2015 and 2014. 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 2011 through 2013 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 (a) present values of contributions receivable expected to be received beyond one year, and (b) the valuation of the investments at fair value.

**Dallas County Community College District Foundation, Inc.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2015 and 2014

**NOTE B - INVESTMENTS**

Investments are composed of the following as of August 31:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Corporate bonds	\$ 3,169,984	\$ 5,028,795	\$ 3,181,845	\$ 4,964,668
Corporate stocks	4,625,189	5,729,335	4,010,887	5,580,103
Mutual funds	<u>20,036,889</u>	<u>21,693,260</u>	<u>18,289,898</u>	<u>22,487,534</u>
	<u>\$27,832,062</u>	<u>\$32,451,390</u>	<u>\$25,482,630</u>	<u>\$33,032,305</u>

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 change could significantly affect the amounts reported in the financial statements.

For the years ended August 31, 2015 and 2014, the components of investment earnings are:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 1,509,120	\$ 949,108
Net loss on investments carried at fair value	<u>(2,052,924)</u>	<u>3,643,473</u>
Total return on investments	<u>\$ (543,804)</u>	<u>\$4,592,581</u>

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE C - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following unconditional promises to give:

	August 31,	
	2015	2014
Contributions receivable	\$560,000	\$469,266
Less unamortized discount ranging from .39% to .75% at August 31, 2015 and .27% to .49% at August 31, 2014	<u>(4,852)</u>	<u>(58)</u>
	<u>\$555,148</u>	<u>\$469,208</u>

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

	2015	2014
Maturing in less than one year	\$160,000	\$449,266
Maturing between one and five years	<u>395,148</u>	<u>19,942</u>
Total contributions receivable	<u>\$555,148</u>	<u>\$469,208</u>

**NOTE D - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	August 31,	
	2015	2014
Student scholarship for tuition and books	\$ 8,258,497	\$ 8,788,262
Professional development, student related activities, and program support	<u>4,342,360</u>	<u>4,066,566</u>
	<u>\$12,600,857</u>	<u>\$12,854,828</u>

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE E - PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Student scholarship for tuition and books	\$25,831,511	\$24,395,232
Professional development, student related activities, and program support	<u>1,036,563</u>	<u>1,033,470</u>
	<u>\$26,868,074</u>	<u>\$25,428,702</u>

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 and permanently restricted funds were due mainly to satisfaction of purpose restrictions. Net Assets released from restrictions amounted to \$2,624,903 and \$1,167,144 for the years ended August 31, 2015 and 2014, 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 balance exceeded the federally insured limit by approximately \$4,645,000 as of August 31, 2015, 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 \$2,388,993 and \$1,667,738 for fiscal years 2015 and 2014, respectively. At August 31, 2015 and 2014, the Foundation recorded a total of \$310,456 and \$209,773, 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 \$627,379 and \$487,087 for fiscal years 2015 and 2014, 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.

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**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, 2015	Fair Value Measurement Using Input Considered as:			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 5,028,795	\$ -	\$ 5,028,795
Equity investments	5,729,335	-	-	5,729,335
Mutual funds	-	21,693,260	-	21,693,260
	<u>\$5,729,335</u>	<u>\$26,722,055</u>	<u>\$ -</u>	<u>\$32,451,390</u>

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE I - FAIR VALUE MEASUREMENTS - Continued**

August 31, 2014	Fair Value Measurement Using Input Considered as:			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$4,964,668	\$ -	\$ 4,964,668
Equity investments	5,580,103	-	-	5,580,103
Mutual funds	<u>19,215,177</u>	<u>3,272,357</u>	<u>-</u>	<u>22,487,534</u>
	<u>\$24,795,280</u>	<u>\$8,237,025</u>	<u>\$ -</u>	<u>\$33,032,305</u>

Change in valuation techniques may result in transfers in or out of an investment's assigned level within the 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 several 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 promulgated 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 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 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 requires 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.



**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE J - ENDOWMENTS - Continued**

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, 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 FINANCIAL STATEMENTS - CONTINUED

August 31, 2015 and 2014

**NOTE J - ENDOWMENTS - Continued**

Endowment Net Asset Composition by Type of Fund as of August 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 8,354,826	\$26,868,074	\$35,222,900
Board restricted endowment funds	<u>8,401</u>	<u>-</u>	<u>-</u>	<u>8,401</u>
Total	<u>\$ 8,401</u>	<u>\$ 8,354,826</u>	<u>\$26,868,074</u>	<u>\$35,231,301</u>
Endowment net assets, beginning of year	\$ 7,878	\$ 9,133,884	\$25,428,702	\$34,570,464
Contributions	-	-	1,436,659	1,436,659
Investment income:				
Dividends and interest	333	1,066,068	-	1,066,401
Net realized and unrealized gains (losses) on investments	191	(1,492,301)	-	(1,492,110)
Released from restrictions	-	(113)	2,713	2,600
Amount appropriated for expenditures	<u>-</u>	<u>(352,712)</u>	<u>-</u>	<u>(352,712)</u>
Endowment net assets, end of year	<u>\$ 8,401</u>	<u>\$ 8,354,826</u>	<u>\$26,868,074</u>	<u>\$35,231,301</u>

Endowment Net Asset Composition by Type of Fund as of August 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$9,133,884	\$25,428,702	\$34,562,586
Board restricted endowment funds	<u>7,878</u>	<u>-</u>	<u>-</u>	<u>7,878</u>
Total	<u>\$ 7,878</u>	<u>\$9,133,884</u>	<u>\$25,428,702</u>	<u>\$34,570,464</u>
Endowment net assets, beginning of year	\$ 7,446	\$6,260,212	\$25,280,117	\$31,547,775
Contributions	-	-	86,625	86,625
Investment income:				
Dividends and interest	227	2,621,453	-	2,621,680
Net realized and unrealized gains on investments	205	685,007	-	685,212
Transfer-in	-	(62,090)	61,960	(130)
Amount appropriated for expenditures	<u>-</u>	<u>(370,698)</u>	<u>-</u>	<u>(370,698)</u>
Endowment net assets, end of year	<u>\$ 7,878</u>	<u>\$9,133,884</u>	<u>\$25,428,702</u>	<u>\$34,570,464</u>

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE J - ENDOWMENTS - Continued**

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 31<sup>st</sup> of the year preceding the disbursement of the funds. The spending limit will not exceed 5% of the December 31<sup>st</sup> 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, 2015 and 2014.

**Dallas County Community College District Foundation, Inc.**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

August 31, 2015 and 2014

**NOTE K - NET ASSET VALUE PER SHARE - Continued**

For the Foundation, such assets include investments in fixed income funds. Investments in the fund are valued at a NAV of \$17.37 and \$17.08 per unit, as of August 31, 2015 and 2014, respectively, and the Foundation had 289,515 and 290,559 units as of August 31, 2015 and 2014, 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, 2015 and 2014					
	Fair Value as of August 2015	Fair Value as of August 2014	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
Barrow, Hanley, Mewhinney & Strauss BHMS Core Fixed Income						
Fund (a)	<u>\$5,028,795</u>	<u>\$4,964,668</u>	None	Daily	None	30 days
Total	<u>\$5,028,795</u>	<u>\$4,964,668</u>				

(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 - 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. The first annual installment of \$600,000 was received and recognized as revenue in fiscal year 2013 by the Foundation. The 2<sup>nd</sup> annual installment of \$600,000 was received in September 2014. The balance of \$600,000 is considered a conditional promise to give at August 31, 2015.

**NOTE M - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 17, 2015; the date financial statements were available to be issued. Except as described in the first paragraph of this note, no changes are necessary to be made to the financial statements as a result of this evaluation.