

Financial Statements and Report of Independent Certified Public Accountants
Dallas County Community College District Foundation, Inc.

August 31, 2019 and 2018

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

Years Ended August 31, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Dallas County Community College District Foundation

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, 2019 and 2018, and the related statement 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, 2019 and 2018, 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.

Grant Thornton LLP

Dallas, Texas
December 9, 2019

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

STATEMENTS OF FINANCIAL POSITION

August 31,

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,043,909	\$ 8,847,601
Accrued interest and dividends receivable	217,631	150,026
Contributions receivable, net	260,031	195,148
Other assets	6,700	6,700
Prepaid expense	3,203	3,203
Investments	<u>55,473,287</u>	<u>48,926,326</u>
Total assets	<u>\$58,004,761</u>	<u>\$58,129,004</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Due to affiliate	\$ 126,704	\$ 1,609,099
Accounts payable	<u>65,451</u>	<u>34,183</u>
Total liabilities	<u>192,155</u>	<u>1,643,282</u>
Net assets:		
Without donor restrictions	<u>4,487,313</u>	<u>4,868,613</u>
With donor restrictions:		
Purpose restrictions	19,656,876	18,596,531
Perpetual in nature	<u>33,668,417</u>	<u>33,020,578</u>
	<u>53,325,293</u>	<u>51,617,109</u>
Total net assets	<u>57,812,606</u>	<u>56,485,722</u>
Total liabilities and net assets	<u>\$58,004,761</u>	<u>\$58,129,004</u>

The accompanying notes are an integral part of these statements.

Dallas County Community College District Foundation, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 80,038	\$ 3,606,421	\$ 3,686,459
Interest and dividend income	803,564	1,219,993	2,023,557
Contributed salaries	1,267,806	-	1,267,806
Net realized and unrealized gains (losses) on investments, net	(829,581)	(1,283,506)	(2,113,087)
Net assets released from restrictions	<u>1,837,910</u>	<u>(1,837,910)</u>	<u>-</u>
Total revenues	3,159,737	1,704,998	4,864,735
EXPENSES			
Program services:			
Scholarship awards	781,210	-	781,210
Grants	<u>2,251,355</u>	<u>-</u>	<u>2,251,355</u>
Total program services	<u>3,032,565</u>	<u>-</u>	<u>3,032,565</u>
Non-program services:			
Management and general	918,967	-	918,967
Fundraising	<u>724,224</u>	<u>-</u>	<u>724,224</u>
Total non-program services	<u>1,643,191</u>	<u>-</u>	<u>1,643,191</u>
Total expenses	<u>4,675,756</u>	<u>-</u>	<u>4,675,756</u>
Transfers between funds, based on donor instructions	(3,186)	3,186	-
Scholarships to be funded by the District	<u>1,137,905</u>	<u>-</u>	<u>1,137,905</u>
Total other items	<u>1,134,719</u>	<u>3,186</u>	<u>1,137,905</u>
Change in net assets	(381,300)	1,708,184	1,326,884
Net assets, beginning of year	<u>4,868,613</u>	<u>51,617,109</u>	<u>56,485,722</u>
Net assets, end of year	<u>\$4,487,313</u>	<u>\$53,325,293</u>	<u>\$57,812,606</u>

The accompanying notes are an integral part of these statements.

Dallas County Community College District Foundation, Inc.

STATEMENT OF ACTIVITIES

Year ended August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES			
Contributions	\$ 255,317	\$ 2,758,161	\$ 3,013,478
Interest and dividend income	673,772	921,647	1,595,419
Contributed salaries	1,202,765	-	1,202,765
Net realized and unrealized gains on investments, net	1,700,322	1,826,538	3,526,860
Net assets released from restrictions	<u>3,963,480</u>	<u>(3,963,480)</u>	<u>-</u>
Total revenues	<u>7,795,656</u>	<u>1,542,866</u>	<u>9,338,522</u>
EXPENSES			
Program services:			
Scholarship awards	2,084,385	-	2,084,385
Grants	<u>1,923,467</u>	<u>-</u>	<u>1,923,467</u>
Total program services	<u>4,007,852</u>	<u>-</u>	<u>4,007,852</u>
Non-program services:			
Management and general	843,606	-	843,606
Fundraising	<u>710,408</u>	<u>-</u>	<u>710,408</u>
Total non-program services	<u>1,554,014</u>	<u>-</u>	<u>1,554,014</u>
Total expenses	<u>5,561,866</u>	<u>-</u>	<u>5,561,866</u>
Transfers between funds, based on donor instructions	<u>(99,511)</u>	<u>99,511</u>	<u>-</u>
Change in net assets	2,134,279	1,642,377	3,776,656
Net assets, beginning of year	<u>2,734,334</u>	<u>49,974,732</u>	<u>52,709,066</u>
Net assets, end of year	<u>\$4,868,613</u>	<u>\$51,617,109</u>	<u>\$56,485,722</u>

The accompanying notes are an integral part of these statements.

Dallas County Community College District Foundation, Inc.

STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,326,884	\$ 3,776,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(547,993)	(147,486)
Net realized and unrealized gains on investments	2,113,087	(3,526,860)
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(67,605)	(68,275)
Contributions receivable	(64,883)	100,000
Prepaid expense	-	(3,203)
Due to affiliate	(1,482,395)	1,453,240
Accounts payable	<u>31,268</u>	<u>(8,528)</u>
Net cash provided by operating activities	<u>1,308,363</u>	<u>1,575,544</u>
Cash flows from investing activities:		
Proceeds from investment sales	6,450,640	14,913,259
Purchases of investments	<u>(15,110,688)</u>	<u>(20,260,102)</u>
Net cash used in investing activities	<u>(8,660,048)</u>	<u>(5,346,843)</u>
Cash flows from financing activities:		
Contributions restricted for endowments	<u>547,993</u>	<u>147,486</u>
Net decrease in cash and cash equivalents	(6,803,692)	(3,623,813)
Cash and cash equivalents, beginning of year	<u>8,847,601</u>	<u>12,471,414</u>
Cash and cash equivalents, end of year	<u>\$ 2,043,909</u>	<u>\$ 8,847,601</u>

The accompanying notes are an integral part of these statements.

Dallas County Community College District Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2019

	<u>Management and general</u>	<u>Development</u>	<u>Program services</u>	<u>Total</u>
Scholarship awards	\$ -	\$ -	\$ 781,210	\$ 781,210
Grants	-	-	2,251,355	2,251,355
Contributed salaries	614,212	653,594	-	1,267,806
Supplies and postage	9,484	-	-	9,484
Marketing	37,122	-	-	37,122
Subscriptions and publications	1,068	-	-	1,068
Special events and board meetings	22,950	-	-	22,950
Professional services	85,728	-	-	85,728
Insurance	5,103	-	-	5,103
Technology	134,152	-	-	134,152
Miscellaneous	9,148	-	-	9,148
Development	<u>-</u>	<u>70,630</u>	<u>-</u>	<u>70,630</u>
Total	<u>\$918,967</u>	<u>\$724,224</u>	<u>\$3,032,565</u>	<u>\$4,675,756</u>

Dallas County Community College District Foundation, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2018

	<u>Management and general</u>	<u>Development</u>	<u>Program services</u>	<u>Total</u>
Scholarship awards	\$ -	\$ -	\$ 2,084,385	\$ 2,084,385
Grants	-	-	1,923,467	1,923,467
Contributed salaries	504,599	698,166	-	1,202,765
Supplies and postage	2,786	-	-	2,786
Marketing	47,318	-	-	47,318
Subscriptions and publications	1,223	-	-	1,223
Special events and board meetings	47,824	-	-	47,824
Professional services	103,222	-	-	103,222
Insurance	6,193	-	-	6,193
Technology	121,384	-	-	121,384
Miscellaneous	6,002	-	-	6,002
Development	-	12,242	-	12,242
Travel	<u>3,055</u>	<u>-</u>	<u>-</u>	<u>3,055</u>
Total	<u>\$843,606</u>	<u>\$710,408</u>	<u>\$4,007,852</u>	<u>\$5,561,866</u>

The accompanying notes are an integral part of this statement.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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

General

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to two classes of net assets:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.
- With Donor Restrictions – 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. Some restricted net assets are required by donors to be maintained in perpetuity, with only the revenue from investments to be used for stated purposes. When restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition.

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. Fixed income securities and mutual funds are measured at net asset value (“NAV”). Realized and unrealized gains and losses are reported in the statements of activities.

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.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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

Revenue Recognition

The Foundation records contributions received as without donor restrictions or with donor restrictions 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 fundraising 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, 2019 and 2018.

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

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.

Thus, no provision for income taxes is included in the accompanying financial statements.

The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. The Foundation does not believe there is any uncertainty with respect to its tax position which would result in a material change to the financial statements.

The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal authorities for years prior to August 31, 2016. For state authorities, the statute of limitations is generally three or four years; however, the statute of limitations will remain open for any state returns not filed.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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

On December 22, 2017, the United States enacted tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the “Act”), resulting in significant modifications to existing tax law. There were no material effects on the Foundation’s financial statements as a result of the Act. Foundation management is evaluating the ongoing impact of the Act on the Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) 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. 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.

Change in Accounting Principle

In August 2016, The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for non-profit organizations and enhances their required disclosures. The changes impacting the Foundation include: (1) requiring the presentation of only two classes of net assets now titled “net assets with donor restriction” and “net assets without donor restriction,” (2) requiring that all non-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (4) presenting investment return net of external investment expenses, and (5) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements. The Foundation has adopted ASU 2016-14 as of and for the year ended August 31, 2019, with retrospective application for the 2018 financial statements. The Foundation also changed its presentation of net asset classes and expanded disclosures as required by ASU 2016-14.

Functional Expenses

The Foundation’s expenses are summarized and categorized based upon their functional classification as either program services or non-program services (management and general). Specific expenses that are readily identifiable to a single function are charged directly to that function. Certain categories of expenses are attributable to more than one function and require allocation on a reasonable basis that is consistently applied. Salaries are allocated based on the estimated percentage of time spent by each employee in the applicable functional area. Professional services includes expenses for audit, form 990 preparation, legal and investment management. Scholarship awards as of August 31, 2018 totaled \$2,084,385. Subsequent to August 31, 2018, the District determined that it could fund a portion of these scholarships with other student aid funds in the amount of \$1,137,905. Due to the fact that the Foundation recognized this expense in the previous fiscal year, the Foundation recorded this amount as “scholarships to be funded by the District” in the 2019 statement of activities.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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

Reclassifications

Certain accounts in the 2018 financial statements have been reclassified to conform with the current year financial statement presentation. Unrestricted net assets have been renamed net assets without donor restrictions. Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

NOTE B - INVESTMENTS

Investments are composed of the following as of August 31:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Fixed income securities	\$ 3,123,046	\$ 5,808,069	\$ 3,134,632	\$ 5,282,206
Equity investments	5,115,296	5,792,670	4,520,662	6,225,719
Mutual funds	34,408,990	36,872,072	32,068,109	36,421,993
Certificates of Deposit	6,750,000	6,750,973	500,000	499,978
U.S. Treasury Notes	<u>249,583</u>	<u>249,503</u>	<u>492,485</u>	<u>496,430</u>
Total investments	<u>\$49,646,915</u>	<u>\$55,473,287</u>	<u>\$40,715,888</u>	<u>\$48,926,326</u>

Investment securities are exposed to various risks, such as interest, 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. Certificates of Deposit and U.S. Treasury Notes are classified as investments due to their maturity dates at the time of purchase. The maturity dates exceed the three-month period that determines how cash equivalents are defined.

For the years ended August 31, 2019 and 2018, the components of investment earnings are:

	2019	2018
Interest and dividend income	\$ 2,023,557	\$1,595,419
Net gain (loss) on investments carried at fair value	<u>(2,113,087)</u>	<u>3,526,860</u>
Total return on investments	<u>\$ (89,530)</u>	<u>\$5,122,279</u>

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

NOTE C - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
Contributions receivable	\$271,000	\$200,000
Less unamortized discounts at August 31, 2019 and 2018	<u>(10,969)</u>	<u>(4,852)</u>
	<u>\$260,031</u>	<u>\$195,148</u>

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

	<u>2019</u>	<u>2018</u>
Maturing in less than one year	\$171,000	\$100,000
Maturing between one and five years	<u>89,031</u>	<u>95,148</u>
Total contributions receivable	<u>\$260,031</u>	<u>\$195,148</u>

NOTE D - DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes:

	<u>August 31,</u>	
	<u>2019</u>	<u>2018</u>
Student scholarships for tuition and books	\$41,567,272	\$40,112,034
Professional development, student related activities, and program support	<u>11,758,021</u>	<u>11,505,075</u>
Total donor restricted net assets	<u>\$53,325,293</u>	<u>\$51,617,109</u>

NOTE E - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consisting of funds with donor restrictions were due mainly to satisfaction of purpose restrictions. Net assets released from restrictions amounted to \$1,837,910 and \$3,963,480 for the years ended August 31, 2019 and 2018, respectively.

NOTE F - CONCENTRATION OF CREDIT RISK

The Foundation maintains deposits in financial institutions. At times these deposits exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Foundation did not experience any losses in such accounts and believes it is not exposed to any significant credit risk in this regard.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

NOTE G - RELATED PARTY TRANSACTIONS AND CONTRIBUTED SERVICES

The Foundation's payments to the District for scholarships and grants totaled \$2,044,364 and \$1,438,008 for fiscal years 2019 and 2018, respectively. At August 31, 2019 and 2018, the Foundation recorded a total of \$126,704 and \$1,609,099, respectively, for scholarships and grants payable to the District.

The salaries of Foundation employees have been donated by the District. The estimated fair value of these contributed services is \$1,267,806 and \$1,202,765 for fiscal years 2019 and 2018, respectively, and has been included in contributed salaries in revenue and management and general expenses in the accompanying statements of activities. 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 H - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification "(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 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 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 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 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.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

NOTE H - FAIR VALUE MEASUREMENTS - Continued

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

August 31, 2019	<u>Fair Value Measurement Using Input Considered as:</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investments	\$5,792,670	\$ -	\$ -	\$ 5,792,670
Certificates of Deposit	-	6,750,973	-	6,750,973
U.S. Treasury Notes	<u>-</u>	<u>249,503</u>	<u>-</u>	<u>249,503</u>
	<u>\$5,792,670</u>	<u>\$7,000,476</u>	<u>\$ -</u>	<u>\$12,793,146</u>
Investments measured at NAV	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,680,141</u>
Investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$55,473,287</u>

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

August 31, 2018	<u>Fair Value Measurement Using Input Considered as:</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investments	\$6,225,719	\$ -	\$ -	\$ 6,225,719
Certificates of Deposit	-	499,978	-	499,978
U.S. Treasury Bills	<u>-</u>	<u>496,430</u>	<u>-</u>	<u>496,430</u>
	<u>\$6,225,719</u>	<u>\$996,408</u>	<u>\$ -</u>	<u>\$ 7,222,127</u>
Investments measured at NAV	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,704,199</u>
Investments at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$48,926,326</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 transfers between Levels 1, 2 and 3 during the year.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

NOTE I - 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 U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

In September 2007, the State of Texas enacted 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.

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 net assets with donor restrictions due to endowment funds (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 endowed donor-restricted net assets is classified as donor 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.

Investment Return Objectives and Risk Parameters

The Foundation Board has adopted investment and spending policies for endowed 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.

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

NOTE I - ENDOWMENTS - Continued

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

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.

Endowment Net Asset Composition by Type of Fund as of August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$46,199,292	\$46,199,292
Total	<u>\$ -</u>	<u>\$46,199,292</u>	<u>\$46,199,292</u>
Endowment net assets, beginning of year	\$ -	\$45,764,652	\$45,764,652
Contributions	-	635,861	635,861
Investment income:			
Dividends and interest	-	1,216,788	1,216,788
Net realized and unrealized gains on investments	-	(1,284,020)	(1,284,020)
Net transfers	-	27,181	27,181
Amount appropriated for expenditures	<u>-</u>	<u>(161,170)</u>	<u>(161,170)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$46,199,292</u>	<u>\$46,199,292</u>

Dallas County Community College District Foundation, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

NOTE I - ENDOWMENTS - Continued

Endowment Net Asset Composition by Type of Fund as of August 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$45,764,652	\$45,764,652
Total	<u>\$ -</u>	<u>\$45,764,652</u>	<u>\$45,764,652</u>
Endowment net assets, beginning of year	\$ -	\$44,348,840	\$44,348,840
Contributions	-	219,181	219,181
Investment income:			
Dividends and interest	-	920,229	920,229
Net realized and unrealized gains on investments	-	1,823,761	1,823,761
Net transfers	-	(993,003)	(993,003)
Amount appropriated for expenditures	<u>-</u>	<u>(554,356)</u>	<u>(554,356)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$45,764,652</u>	<u>\$45,764,652</u>

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation structures its financial assets to be available when its general expenditures and other obligations are due. Financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year of August 31, 2019 are comprised of the following:

Cash and cash equivalents	\$2,043,909
Short term investments	<u>7,000,475</u>
Total financial assets available	9,044,384
Less financial assets held to meet donor-imposed restrictions	<u>4,557,071</u>
Financial assets available for general expenditure within one year	<u>\$4,487,313</u>

Expenditures, with donor restrictions, are supported with current and accumulated donor restricted contributions and endowed investment earnings. Sufficient reserves are provided by placing Foundation financial assets in excess of daily requirements in various short-term investments such as certificates of deposit and treasury instruments.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2019, the date the financial statements were available to be issued.