

**COLLIN COUNTY COMMUNITY
COLLEGE DISTRICT FOUNDATION, INC.**

McKinney, Texas

Financial Statements

Eight Months Ended August 31, 2019

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Financial Statements

Eight Months Ended August 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Collin County Community College District Foundation, Inc.
McKinney, Texas

We have audited the accompanying financial statements of Collin County Community College District Foundation, Inc. (the "Foundation"), a Texas nonprofit corporation, which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the eight months 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider internal control relevant to the Foundation'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 Foundation'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 Collin County Community College District Foundation, Inc. as of August 31, 2019, and the changes in its net assets and its cash flows for the eight months then ended in accordance with accounting principles generally accepted in the United States of America.

PSK LLP

Arlington, Texas
November 18, 2019

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Financial Position

August 31, 2019

ASSETS

Cash and cash equivalents	\$ 910,163
Accounts receivable	3,417
Pledges receivable, net of discount	263,951
Prepaid expenses	20,365
Investments	<u>13,722,806</u>
Total assets	<u>\$ 14,920,702</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 25,983
Deferred revenues	<u>10,000</u>
Total liabilities	<u>35,983</u>
Net Assets	
Without donor restrictions	919,911
With donor restrictions	<u>13,964,808</u>
Total net assets	<u>14,884,719</u>
Total liabilities and net assets	<u>\$ 14,920,702</u>

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

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Activities
 Eight Months Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Donations and grants, net of adjustment to discount on pledges receivable	\$ 556	\$ 704,849	\$ 705,405
Special events and fundraising	78,788	184,298	263,086
Less: cost of direct benefits to donors	(60,254)	(741)	(60,995)
Net investment returns	152,880	1,134,799	1,287,679
In-kind contributions	331,156	-	331,156
Net assets released from restrictions	440,969	(440,969)	-
Total revenues and other support	<u>944,095</u>	<u>1,582,236</u>	<u>2,526,331</u>
Expenses:			
Program expenses	<u>489,003</u>	<u>-</u>	<u>489,003</u>
Supporting services:			
General and administrative	122,978	-	122,978
Fundraising	<u>170,477</u>	<u>-</u>	<u>170,477</u>
Total supporting services	<u>293,455</u>	<u>-</u>	<u>293,455</u>
Total expenses	<u>782,458</u>	<u>-</u>	<u>782,458</u>
Total change in net assets	161,637	1,582,236	1,743,873
Net assets at beginning of year	<u>758,274</u>	<u>12,382,572</u>	<u>13,140,846</u>
Net assets at end of year	<u>\$ 919,911</u>	<u>\$ 13,964,808</u>	<u>\$ 14,884,719</u>

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

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Functional Expenses
 Eight Months Ended August 31, 2019

	Program Expenses	Supporting Services		Total
		General and Administrative	Fundraising	
Scholarships	\$ 348,176	\$ -	\$ -	\$ 348,176
Program enhancements	67,563	-	-	67,563
Scholarship reception	1,750	-	-	1,750
In-kind personnel	58,591	73,490	139,233	271,314
In-kind facilities	12,923	16,209	30,710	59,842
Accounting fees	-	28,000	-	28,000
Other	-	5,279	534	5,813
	<u>\$ 489,003</u>	<u>\$ 122,978</u>	<u>\$ 170,477</u>	<u>\$ 782,458</u>

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

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Cash Flows
 Eight Months Ended August 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 1,743,873
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Adjustment to discount on pledges receivable	15,038
Net realized and unrealized gain on investments	(1,168,026)
Endowment contributions	(335,100)
(Increase) decrease in assets:	
Accounts receivable	25,333
Pledges receivable	(94,440)
Prepaid expenses	(5,943)
Increase (decrease) in liabilities:	
Accounts payable	(80,672)
Deferred revenues	(15,625)
	<u>84,438</u>
Net cash and cash equivalents provided by operating activities	
Cash flows from investing activities:	
Purchases of investments	(2,550,304)
Proceeds from sale of investments	<u>2,259,465</u>
Net cash and cash equivalents used in investing activities	<u>(290,839)</u>
Cash flows from financing activities:	
Endowment contributions	<u>335,100</u>
Net change in cash and cash equivalents	128,699
Cash and cash equivalents at beginning of year	<u>781,464</u>
Cash and cash equivalents at end of year	<u>\$ 910,163</u>

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

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

1 - Background

Collin County Community College District Foundation, Inc. (the “Foundation”) is a nonprofit corporation established to maintain, develop, increase, and extend the facilities and services of the Collin County Community College District (the “District”) and to provide broader educational service opportunities to its students, staff, and faculty. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as other than a private foundation.

2 - Significant Accounting Policies

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP.”)

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

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

Revenues and Support - Revenues and support for the Foundation are primarily derived through contributions, grants, and fundraising activities.

Programs - The Foundation pursues its objectives through the execution of the following programs:

Scholarships - Student scholarships represent the largest fundraising priority for the Foundation. Thanks to the generosity of individual, corporate, foundation, and alumni donors, the Foundation is able to offer scholarships to outstanding students with financial need.

Scholarship reception - The Foundation hosts two scholarship receptions per year: a large event celebrating fall scholarships and a smaller event honoring spring recipients. At these receptions, donors meet the students who receive their scholarships and learn first-hand how their gifts are making a difference.

Program enhancements - The Foundation also assists in securing support for strategic academic and technical programs for the District. To name just a few, past projects have included support for veteran center programming, career center initiatives, fire science equipment, IT lab equipment, health science camps, cybersecurity camps and more.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Cash and Cash Equivalents - For purposes of reporting cash flows, the Foundation considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature or other long-term purposes are excluded from this definition.

Pledges Receivable - Pledges receivable are comprised of uncollected pledges and are considered fully collectible at August 31, 2019.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and investments in debt securities are valued at their fair values in the statement of financial position. Net realized and unrealized gains and losses are included in the changes in net assets.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services and Facilities - Individuals volunteer their time and perform a variety of tasks that help the Foundation pursue its objectives. The value of these donated services is not reflected in the financial statements.

The District allows the Foundation to use designated office space, personnel, and equipment at no cost. The value of these in-kind contributions was \$331,156 as of August 31, 2019, and is included in revenues and expenses on the accompanying statement of activities. Of this amount, \$169,943 is considered fundraising expenses for the eight months ended August 31, 2019.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort.

Income Taxes - The Foundation follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Foundation is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of August 31, 2019, the Foundation has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2016 through 2019 tax years remain subject to examination by the Internal Revenue Service.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Endowment Funds - The Foundation maintains endowment funds for the purpose of providing scholarships to students of the District. The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair values of the original donor-restricted gifts to the endowment funds, as of the gift dates, absent explicit donor stipulations to the contrary.

The Foundation has adopted an investment policy that seeks to make a reasonable effort to preserve capital and produce long-term results sufficient to meet the Foundation's objectives. Under this policy, endowment assets are primarily invested in marketable securities and exchange-traded mutual funds.

The majority of the Foundation's scholarship endowment agreements include a spending policy that allows for 80% of the earnings to be made available for scholarships, 10% of the earnings to be returned to the corpus of the endowment funds, and 10% of the earnings to be distributed to the operating fund for administrative purposes. The Foundation has also adopted a spending policy that states that no more than 5% of the endowment fund corpus will be distributed annually, unless otherwise specified by the Board of Directors.

Concentration of Credit Risk - The Foundation maintains accounts at financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts, and management believes that the Foundation is not exposed to any significant credit risks on such accounts.

Subsequent Events - Management has evaluated subsequent events for potential disclosure through November 18, 2019, which is the date the financial statements were available to be issued.

3 - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the statement of financial position at August 31, 2019, are comprised of the following:

Cash and cash equivalents	\$ 910,163
Investments	<u>13,722,806</u>
	14,632,969
Donor-restricted funds	<u>(13,964,808)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 668,161</u>

4 - Pledges Receivable

Pledges are recognized as revenues in the period that they are made. Pledges due in one year or more have been discounted to present value using a 5.25% discount rate.

Pledges receivable at August 31, 2019 are summarized as follows:

Pledges receivable	\$ 286,763
Less: discount to present value	<u>(22,812)</u>
Pledges receivable, net of discount	<u>\$ 263,951</u>

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

5 - Fair Value Measurements and Disclosures

The Foundation follows the Fair Value Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The Fair Value Measurements topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The topic establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

The following is a listing of investments measured at fair value on a recurring basis and where they are classified within the hierarchy as of August 31, 2019:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Cash equivalents and short-term investments	\$ 570,430	\$ -	\$ -
Equity securities	9,907,369	-	-
Fixed income securities	2,426,502	-	-
Alternative investments	818,505	-	-
	<u>\$ 13,722,806</u>	<u>\$ -</u>	<u>\$ -</u>

6 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of August 31, 2019 relates to certain contributions for which the donors have imposed restrictions. These restrictions require the Foundation to expend such funds for scholarships and program enhancements as follows:

Endowment Funds	\$ 9,472,574
Excellence Funds	458,243
Quasi Endowments	2,494,301
Scholarship Funds	1,539,690
	<u>\$ 13,964,808</u>

Endowment Funds represent funds not yet appropriated for expenditure for endowed scholarships. Excellence Funds represent funds not yet appropriated for expenditure for strategic academic and technical programs, as well as special achievement awards and scholarships. Quasi Endowments represent a) funds which have not yet reached the level required to become endowment funds or which do not yet have signed endowment agreements, or b) funds which are controlled by the District's Board of Trustees. Scholarship Funds represent funds not yet appropriated for expenditure for non-endowed scholarships.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.
Notes to Financial Statements

6 - Net Assets With Donor Restrictions (continued)

During the eight months ended August 31, 2019, net assets with donor restrictions in the amount of \$440,969 have been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

The following is a summary of changes in endowment fund net assets for the eight months ended August 31, 2019:

Balance at December 31, 2018	\$ 8,122,736
Contributions	341,936
Earnings	1,104,428
Appropriations	<u>(96,526)</u>
Balance at August 31, 2019	<u>\$ 9,472,574</u>

7 - Fiscal Year End Change

The fiscal year end of the Foundation was changed from December 31 to August 31 so as to align with the fiscal year of the District. Accordingly, these financial statements have been prepared for the eight months from January 1, 2019 to August 31, 2019.