

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

McKinney, Texas

Financial Statements

Years Ended December 31, 2017 and 2016

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

Financial Statements

Years Ended December 31, 2017 and 2016

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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 December 31, 2017, and the related statements of activities and cash flows for the year 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 December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Year Financial Statements***

The financial statements of Collin County Community College District Foundation, Inc. as of December 31, 2016 were audited by other auditors whose report dated May 25, 2017 expressed an unmodified opinion on those statements.

PSK LLP

Arlington, Texas  
July 9, 2018

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

Statements of Financial Position

December 31, 2017 and 2016

ASSETS		
	2017	2016
Cash and cash equivalents	\$ 870,333	\$ 768,889
Accounts receivable	60	1,270
Pledges receivable, net of discount	212,263	212,594
Prepaid expenses	11,260	-
Investments	13,344,494	11,366,537
Total assets	\$ 14,438,410	\$ 12,349,290
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 145,190	\$ 114,179
Deferred revenues	42,838	36,798
Total liabilities	188,028	150,977
Net Assets		
Unrestricted	866,495	610,658
Temporarily restricted	6,710,597	5,047,149
Permanently restricted	6,673,290	6,540,506
Total net assets	14,250,382	12,198,313
Total liabilities and net assets	\$ 14,438,410	\$ 12,349,290

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

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

Statement of Activities  
Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Donations and grants, net of adjustment to discount on pledges receivable	\$ (437)	\$ 712,865	\$ 105,500	\$ 817,928
Special events and fundraising	55,401	115,848	-	171,249
Less: cost of direct benefits to donors	(43,672)	(7,391)	-	(51,063)
Investment income	68,545	285,936	17,252	371,733
Realized gain on investments	38,873	113,459	10,032	162,364
Unrealized gain on investments	197,754	1,302,613	-	1,500,367
In-kind contributions	496,210	-	-	496,210
Net assets released from restrictions	<u>859,882</u>	<u>(859,882)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,672,556</u>	<u>1,663,448</u>	<u>132,784</u>	<u>3,468,788</u>
Expenses:				
Program services:				
Scholarships	680,072	-	-	680,072
Scholarship reception	41,583	-	-	41,583
Program enhancements	<u>158,275</u>	<u>-</u>	<u>-</u>	<u>158,275</u>
Total program services	<u>879,930</u>	<u>-</u>	<u>-</u>	<u>879,930</u>
Supporting services:				
In-kind personnel	402,680	-	-	402,680
In-kind facilities	93,530	-	-	93,530
Accounting fees	8,200	-	-	8,200
Insurance	1,321	-	-	1,321
Investment expense	25,274	-	-	25,274
Miscellaneous	<u>5,784</u>	<u>-</u>	<u>-</u>	<u>5,784</u>
Total supporting services	<u>536,789</u>	<u>-</u>	<u>-</u>	<u>536,789</u>
Total expenses	<u>1,416,719</u>	<u>-</u>	<u>-</u>	<u>1,416,719</u>
Total change in net assets	255,837	1,663,448	132,784	2,052,069
Net assets at beginning of year	<u>610,658</u>	<u>5,047,149</u>	<u>6,540,506</u>	<u>12,198,313</u>
Net assets at end of year	<u>\$ 866,495</u>	<u>\$ 6,710,597</u>	<u>\$ 6,673,290</u>	<u>\$ 14,250,382</u>

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

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

Statement of Activities  
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Donations and grants, net of adjustment to discount on pledges receivable	\$ 568	\$ 634,978	\$ 270,050	\$ 905,596
Special events and fundraising	35,390	125,183	5,000	165,573
Less: cost of direct benefits to donors	(27,423)	(11,858)	-	(39,281)
Investment income	57,210	202,629	12,484	272,323
Realized gain on investments	23,718	90,910	5,099	119,727
Unrealized gain on investments	71,526	390,599	-	462,125
In-kind contributions	233,669	-	-	233,669
Net assets released from restrictions	<u>768,289</u>	<u>(768,289)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,162,947</u>	<u>664,152</u>	<u>292,633</u>	<u>2,119,732</u>
Expenses:				
Program services:				
Scholarships	559,516	-	-	559,516
Scholarship reception	36,089	-	-	36,089
Program enhancements	<u>188,975</u>	<u>-</u>	<u>-</u>	<u>188,975</u>
Total program services	<u>784,580</u>	<u>-</u>	<u>-</u>	<u>784,580</u>
Supporting services:				
In-kind personnel	154,647	-	-	154,647
In-kind facilities	79,022	-	-	79,022
Accounting fees	8,200	-	-	8,200
Insurance	1,600	-	-	1,600
Investment expense	22,158	-	-	22,158
Miscellaneous	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Total supporting services	<u>269,827</u>	<u>-</u>	<u>-</u>	<u>269,827</u>
Total expenses	<u>1,054,407</u>	<u>-</u>	<u>-</u>	<u>1,054,407</u>
Total change in net assets	108,540	664,152	292,633	1,065,325
Net assets at beginning of year	<u>502,118</u>	<u>4,382,997</u>	<u>6,247,873</u>	<u>11,132,988</u>
Net assets at end of year	<u>\$ 610,658</u>	<u>\$ 5,047,149</u>	<u>\$ 6,540,506</u>	<u>\$ 12,198,313</u>

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

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

Statements of Cash Flows  
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,052,069	\$ 1,065,325
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Adjustment to discount on pledges receivable	2,364	(3,898)
Net realized and unrealized gain on investments	(1,662,731)	(581,852)
Endowment contributions	(105,500)	(275,050)
(Increases) decreases in assets:		
Accounts receivable	1,210	34,919
Pledges receivable	(2,033)	51,931
Prepaid expenses	(11,260)	500
Increases (decreases) in liabilities:		
Accounts payable	31,011	100,076
Deferred revenues	<u>6,040</u>	<u>(9,702)</u>
Net cash and cash equivalents provided by operating activities	<u>311,170</u>	<u>382,249</u>
Cash flows from investing activities:		
Purchases of investments	(2,420,580)	(437,721)
Proceeds from sale of investments	<u>2,105,354</u>	<u>186,773</u>
Net cash and cash equivalents used in investing activities	<u>(315,226)</u>	<u>(250,948)</u>
Cash flows from financing activities:		
Endowment contributions	<u>105,500</u>	<u>275,050</u>
Net change in cash and cash equivalents	101,444	406,351
Cash and cash equivalents at beginning of year	<u>768,889</u>	<u>362,538</u>
Cash and cash equivalents at end of year	<u>\$ 870,333</u>	<u>\$ 768,889</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 - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* (“FASB ASC”), the Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

Cash and Cash Equivalents - The Foundation considers all short-term investments with original maturities of three months or less to be cash equivalents. Cash and highly liquid financial instruments restricted to endowments are excluded from this definition.

Pledges Receivable - Pledges receivable are comprised of uncollected pledges and are considered fully collectible at December 31, 2017 and 2016.

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

## Notes to Financial Statements

**2 - Significant Accounting Policies (continued)**

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 change 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 values of these in-kind contributions were \$496,210 and \$233,669 as of December 31, 2017 and 2016, respectively, and are included in revenues and expenses on the accompanying statements of activities. Of these amounts, \$295,037 and \$152,858, respectively, are considered fundraising expenses for the years ended December 31, 2017 and 2016.

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 providing the Foundation's programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 December 31, 2017, 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 2014 through 2017 tax years remain subject to examination by the Internal Revenue Service.

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.

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

## 2 - Significant Accounting Policies (continued)

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.

Reclassification - Certain reclassifications were made to the 2016 financial statements presentation in order to conform to the 2017 financial statements presentation.

Subsequent Events - Management has evaluated subsequent events for potential disclosure through July 9, 2018, which is the date the financial statements were available to be issued.

## 3 - 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 2.00% discount rate.

Pledges receivable at December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Pledges receivable	\$ 221,886	\$ 219,853
Less: discount to present value	(9,623)	(7,259)
Pledges receivable, net of discount	<u>\$ 212,263</u>	<u>\$ 212,594</u>

## 4 - Investments

Investments at December 31, 2017 and 2016 are summarized as follows:

	2017		
	Fair Market Value	Cost	Unrealized Gain/(Loss)
Cash equivalents and short-term investments	\$ 351,948	\$ 351,699	\$ 249
Equity securities	9,982,467	8,274,235	1,708,232
Fixed income securities	2,029,537	2,073,248	(43,711)
Alternative investments	980,542	1,111,364	(130,822)
	<u>\$ 13,344,494</u>	<u>\$ 11,810,546</u>	<u>\$ 1,533,948</u>
	2016		
	Fair Market Value	Cost	Unrealized Gain/(Loss)
Cash equivalents and short-term investments	\$ 649,935	\$ 649,872	\$ 63
Equity securities	7,747,054	7,380,062	366,992
Fixed income securities	2,316,741	2,398,740	(81,999)
Alternative investments	652,807	904,524	(251,717)
	<u>\$ 11,366,537</u>	<u>\$ 11,333,198</u>	<u>\$ 33,339</u>

The Foundation incurred investment expenses of \$25,274 and \$22,158 for the years ended December 31, 2017 and 2016, respectively.

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

## 5 - Fair Value Measurements

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 Foundation's investments are held in marketable equity and debt securities and exchange-traded mutual funds with quoted prices on nationally recognized exchanges. Therefore they are considered Level I assets.

## 6 - Restricted Net Assets

The balances of temporarily restricted net assets as of December 31, 2017 and 2016 relate to contributions for which the donors have imposed restrictions. These restrictions require the Foundation to expend such funds for scholarships and program enhancements.

The following is a summary of temporarily restricted net assets as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment Funds	\$ 2,508,737	\$ 1,048,614
Excellence Funds	414,208	335,214
Quasi Endowments	2,474,201	2,400,043
Scholarship Funds	<u>1,313,451</u>	<u>1,263,278</u>
	<u>\$ 6,710,597</u>	<u>\$ 5,047,149</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.

During the years ended December 31, 2017 and 2016, temporarily restricted net assets in the amounts of \$859,882 and \$768,289, respectively, have been expended in accordance with donor restrictions and have been reclassified to unrestricted net assets.

The balances of permanently restricted net assets as of December 31, 2017 and 2016 relate to the Foundation's endowment funds. The endowment funds are administered in accordance with the Foundation's endowment fund policies described in Note 2.

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

**6 - Restricted Net Assets (continued)**

The following is a summary of changes in endowment fund net assets for the years ended December 31, 2017 and 2016:

	Temporarily Restricted	Permanently Restricted	Total
Balance at December 31, 2015	\$ 566,190	\$ 6,247,873	\$ 6,814,063
Contributions	15,100	275,050	290,150
Earnings	601,064	17,583	618,647
Appropriations	<u>(133,740)</u>	<u>-</u>	<u>(133,740)</u>
Balance at December 31, 2016	1,048,614	6,540,506	7,589,120
Contributions	62,650	105,500	168,150
Earnings	1,588,043	27,284	1,615,327
Appropriations	<u>(190,570)</u>	<u>-</u>	<u>(190,570)</u>
Balance at December 31, 2017	<u>\$ 2,508,737</u>	<u>\$ 6,673,290</u>	<u>\$ 9,182,027</u>