

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

Financial Statements

For the years ended December 31, 2016 and 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities for Year Ended December 31, 2016.....	4
Statement of Activities for Year Ended December 31, 2015.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7

EVANS, PINGLETON and HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
8950 GARY BURNS DRIVE, SUITE D
FRISCO, TEXAS 75034
972-335-9754/FAX 972-335-9758

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Collin County Community College District Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 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 Collin County Community College District Foundation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DRAFT

Frisco, Texas
May 25, 2017

FINANCIAL STATEMENTS

COLLIN COUNTY COMMUNITY COLLEGE FOUNDATION, INC.

Statement of Financial Position

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Cash & Cash Equivalents	\$ 1,418,824	753,851
Investments	10,716,602	10,142,424
Accounts Receivable	1,270	36,189
Pledges Receivable	212,594	260,627
Prepaid Expenses	<u>-</u>	<u>500</u>
Total Assets	<u><u>\$ 12,349,290</u></u>	<u><u>11,193,591</u></u>
 LIABILITIES & NET ASSETS		
Liabilities:		
Accounts Payable	\$ 114,179	14,103
Other Liabilities	<u>36,798</u>	<u>46,500</u>
Total Liabilities	<u>150,977</u>	<u>60,603</u>
Net Assets:		
Unrestricted	610,658	502,118
Temporarily Restricted	5,047,149	4,382,997
Permanently Restricted	<u>6,540,506</u>	<u>6,247,873</u>
Total Net Assets	<u>12,198,313</u>	<u>11,132,988</u>
Total Liabilities & Net Assets	<u><u>\$ 12,349,290</u></u>	<u><u>11,193,591</u></u>

The accompanying notes are an integral part of this financial statement.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Activities

December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Change in Net Assets:				
Revenues, Gain & Other Support:				
Donations & Grants	\$ 568	634,978	270,050	905,596
Special Events & Fundraising	35,390	125,183	5,000	165,573
Less: Cost of Direct Benefit to Donors	(27,423)	(11,858)	-	(39,281)
Investment Income	57,210	202,629	12,484	272,323
Realized Gains/(Loss) on Investments	23,718	90,910	5,099	119,727
Net Assets Released from Restrictions	<u>768,289</u>	<u>(768,289)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, & Other Support	<u>857,752</u>	<u>273,553</u>	<u>292,633</u>	<u>1,423,938</u>
Expenses:				
Program Services:				
Scholarships	559,516			559,516
Scholarship Reception	36,089			36,089
Program Enhancements	188,975			188,975
Total Program Services	<u>784,580</u>			<u>784,580</u>
Management & Fundraising:				
Accounting Fees	8,200			8,200
Insurance	1,600			1,600
Investment Expense	22,158			22,158
Miscellaneous	3,961			3,961
Fundraising	239			239
Total Management & Fundraising	<u>36,158</u>			<u>36,158</u>
Total Expenses	<u>820,738</u>			<u>820,738</u>
Change in Net Assets from Operations	<u>37,014</u>	<u>273,553</u>	<u>292,633</u>	<u>603,200</u>
Non-Operating Income/(Expense)				
Unrealized Gain/(Loss) on Investments	<u>71,526</u>	<u>390,599</u>	<u>-</u>	<u>462,125</u>
Total Other Income/(Expense)	<u>71,526</u>	<u>390,599</u>	<u>-</u>	<u>462,125</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 this financial statement.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Activities

December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Change in Net Assets:				
Revenues, Gain & Other Support:				
Donations & Grants	\$ 1,695	443,358	63,185	508,238
Special Events & Fundraising	65,949	120,978	3,500	190,427
Less: Cost of Direct Benefit to Donors	(41,578)	-	-	(41,578)
Investment Income	52,906	235,711	10,879	299,496
Realized Gains/(Loss) on Investments	37,290	102,015	7,591	146,896
Net Assets Released from Restrictions	630,409	(630,409)	-	-
Total Revenues, Gains, & Other Support	<u>746,671</u>	<u>271,653</u>	<u>85,155</u>	<u>1,103,479</u>
Expenses:				
Program Services:				
Scholarships	548,324			548,324
Scholarship Reception	41,849			41,849
Program Enhancements	62,181			62,181
Total Program Services	<u>652,354</u>			<u>652,354</u>
Management & Fundraising:				
Accounting Fees	8,200			8,200
Insurance	1,299			1,299
Investment Expense	22,263			22,263
Miscellaneous	4,421			4,421
Fundraising	609			609
Total Management & Fundraising	<u>36,792</u>			<u>36,792</u>
Total Expenses	<u>689,146</u>			<u>689,146</u>
Change in Net Assets from Operations	<u>57,525</u>	<u>271,653</u>	<u>85,155</u>	<u>414,333</u>
Non-Operating Income/(Expense)				
Unrealized Gain/(Loss) on Investments	<u>(100,095)</u>	<u>(608,034)</u>	<u>-</u>	<u>(708,129)</u>
Total Other Income/(Expense)	<u>(100,095)</u>	<u>(608,034)</u>	<u>-</u>	<u>(708,129)</u>
Total Change in Net Assets	(42,570)	(336,381)	85,155	(293,796)
Net Assets at Beginning of Year	<u>544,688</u>	<u>4,719,378</u>	<u>6,162,718</u>	<u>11,426,784</u>
Net Assets at End of Year	<u>\$ 502,118</u>	<u>4,382,997</u>	<u>6,247,873</u>	<u>11,132,988</u>

The accompanying notes are an integral part of this financial statement.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,065,325	(293,796)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
(Increase)/Decrease in Accounts Receivable	34,919	(36,189)
(Increase)/Decrease in Pledges Receivable	48,033	(15,921)
(Increase)/Decrease in Prepaid Expenses	500	850
Increase/(Decrease) in Accounts Payable	100,076	10,082
Increase/(Decrease) in Other Liabilities	(9,702)	3,775
Net Cash Provided/(Used) by Operating Activities	<u>1,239,151</u>	<u>(331,199)</u>
Cash Flows from Investing Activities:		
Net (Increase)/Decrease in Investments	<u>(574,178)</u>	<u>435,606</u>
Net Cash Provided/(Used) by Investing Activities	<u>(574,178)</u>	<u>435,606</u>
Net Increase/(Decrease) in Cash	664,973	104,407
Cash & Cash Equivalents at Beginning of Year	<u>753,851</u>	<u>649,444</u>
Cash & Cash Equivalents at End of Year	<u><u>\$ 1,418,824</u></u>	<u><u>753,851</u></u>

The accompanying notes are an integral part of this financial statement.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2016

(1) BACKGROUND & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Background

Collin County Community College District Foundation, Inc. (“Foundation”) is a nonprofit organization established to maintain, develop, increase, and extend the facilities and services of the Collin County Community College District (“District”) and to provide broader educational service opportunities to its students, staff, and faculty.

The Foundation is supported primarily through contributions, grants, and fundraising activities.

B. Basis of Accounting

The accounting policies of the Foundation conform to accounting principles generally accepted in the United States of America. The financial statements of the Foundation were prepared using the accrual basis of accounting. Material amounts of goods and services are recorded as assets or expenses at the time the liabilities arise, which is normally when title to the goods pass or when the services are received.

C. Basis of Presentation

In order to comply with accounting principles generally accepted in the United States of America, the Foundation must prepare its external financial statements in accordance with statements issued by the Financial Accounting Standards Board. The Board requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. It requires reporting amounts for the Foundation’s total assets, liabilities, and net assets in a statement of financial position; reporting the change in the Foundation’s net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows.

The Board also requires classification of the Foundation’s net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

D. Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contribution of assets other than cash are recorded at their estimated fair value.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2016

(1) BACKGROUND & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Donated Services and Facilities

Many individuals volunteer their time and perform a variety of tasks that help the Foundation provide expanded educational opportunities in Collin County. These donated services are not reflected in the financial statements.

The District allows the Foundation to use certain office space, personnel and equipment at no cost. The value of these in kind contributions are not reflected in the financial statements.

F. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity date within three months of the date acquired by the Foundation.

G. Investments

Investments in marketable debt and equity securities are stated at fair value. Fair value is based upon quoted market prices.

H. 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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

(2) DEPOSITS

As of December 31, 2016, the Foundation's carrying amount of deposits was \$1,418,824, which includes \$297,812 with JP Morgan Chase Bank, N.A., \$100 of petty cash, \$1,024,119 with Northern Trust, NA and \$96,793 with HighGround Trust Company. The bank balance at JP Chase Morgan Bank, N.A. is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, \$47,812 was not insured.

As of December 31, 2015, the Foundation's carrying amount of deposits was \$753,851, which includes \$241,665 with JP Morgan Chase Bank, N.A., \$100 of petty cash, \$449,565 with Northern Trust, NA and \$62,521 with Concord Trust Company. The bank balance at JP Chase Morgan Bank, N.A. is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015, the bank balance was fully insured.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2016

(3) INVESTMENTS

Investments are stated at fair value and consist mainly of equity and fixed income securities. Investments are summarized as follows:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Marketable Debt & Equity Securities				
Northern Trust, NA	\$ 8,539,561	8,657,162	\$ 8,453,409	8,181,363
HighGround Trust Company	2,123,636	2,039,310	2,098,549	1,941,972
	<u>10,663,197</u>	<u>10,696,472</u>	<u>10,551,958</u>	<u>10,123,335</u>
Cash Value of Life Insurance	20,083	20,130	19,097	19,089
Total Investments	<u>\$ 10,683,280</u>	<u>10,716,602</u>	<u>\$ 10,571,055</u>	<u>10,142,424</u>

Fair value is defined 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. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation has only Level 1 investments.

	2016	2015
Reconciliation of Investment Income/(Loss):		
Interest & Dividends	\$ 272,323	299,496
Unrealized Gains/(Losses)	462,070	(708,187)
Realized Gains/(Losses)	119,727	146,896
Increase/(Decrease) in Cash Value of Life Insurance Policies		
- Net of Premiums	55	58
Investment Expenses	<u>(22,158)</u>	<u>(22,263)</u>
Gain/(Loss) on investments	<u>\$ 832,017</u>	<u>(284,000)</u>

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2016

(3) INVESTMENTS (continued)

Gain/(Loss) on Investments by Fund	<u>2016</u>	<u>2015</u>
Investment Gain/(Loss) reported in:		
Unrestricted Fund	\$ 130,296	(32,162)
Temporarily Restricted Fund	684,138	(270,308)
Permanently Restricted Fund	<u>17,583</u>	<u>18,470</u>
Gain/(Loss) on Investments	<u>\$ 832,017</u>	<u>(284,000)</u>

The Foundation has an investment policy which directs that investments be managed as follows:

- A. Make a reasonable effort to preserve capital, understanding that losses may occur in individual securities. Further, reasonable efforts will be taken to control risk, understanding that risk is present in all types of securities and investment styles and recognizing that some risk is necessary to produce long-term investment results sufficient to meet the Foundation's objectives.
- B. Portfolio will be managed in the following manner with monies being allocated into the following accounts:
 1. Endowment accounts: Asset allocation will be determined by the Board of Directors to facilitate the achievement of the Foundation's long-term objectives. Assets will be diversified to minimize adverse or unexpected results, reducing the detrimental impact of the entire portfolio. The portfolio will be rebalanced by the investment manager to maintain appropriate asset class weights. Appropriations of investment earnings will be voted on by the Board of Directors based on current endowment value compared to historical dollar value of gifts and consistent with terms of the endowment agreements.
 2. Reserve accounts: Funds will include Excellence Funds, annual scholarship, non-endowed funds and operating funds authorized but not expended. Funds will be primarily invested in interest bearing accounts, money market accounts, certificates of deposits, and government securities. When Reserve Account is held with a brokerage firm, certificate of deposits should not exceed the federal insurance limits unless approved by the Board. Investments will be limited in term, with the board approving terms longer than three years.
 3. Operating accounts: Purpose of funds will be to provide cash for expenditures for operational needs of the Foundation. Funds will be held primarily by commercial banks, savings and loans, credit unions and brokerage firms in interest bearing accounts, money market accounts, certificate of deposits and government securities. Certificates of Deposits will not exceed federal insurance limits. Investments will be limited in term, with the board approving terms longer that one year.

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2016

(3) INVESTMENTS (continued)

Performance Measurement

The Investment Committee will review and evaluate investment performance quarterly in the context of the prevailing investment environment and consistent with the long-term investment horizon of the portfolio. Performance evaluation will be done at the portfolio level and for each asset class.

The performance review at the portfolio level will evaluate total portfolio performance versus the overall policy benchmark. The performance review at the asset class level will evaluate asset class performance versus the benchmark.

The portfolio risk will be evaluated by standard deviation, and any other metric the committee deems appropriate after discussion with investment managers.

(4) TEMPORARILY RESTRICTED ASSETS

The Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Temporarily restricted net assets are available for the following purposes:

<u>Purpose</u>	<u>2016</u>	<u>2015</u>
Scholarships	\$ 2,413,957	2,289,625
Excellence Funds	335,214	302,680
Trusts/Quasi-Endowments	2,400,043	2,259,034
Other	<u>(102,065)</u>	<u>(468,342)</u>
	<u>\$ 5,047,149</u>	<u>4,382,997</u>

Temporarily restricted net assets were released from restriction for the following purposes:

<u>Purpose</u>	<u>2016</u>	<u>2015</u>
Scholarships	\$ 559,516	548,324
Program Enhancements	188,975	62,181
Investment Expenses	<u>19,798</u>	<u>19,904</u>
	<u>\$ 768,289</u>	<u>630,409</u>

COLLIN COUNTY COMMUNITY COLLEGE DISTRICT FOUNDATION, INC.

Notes to Financial Statements

December 31, 2016

(5) PERMANENTLY RESTRICTED NET ASSETS

These assets were given with donor imposed restrictions that stipulate the original gift must be permanently maintained but permit the Foundation to use part or all of derived income.

Permanently restricted net assets are held in perpetuity, the income from which is expendable to support:

<u>Purpose</u>	<u>2016</u>	<u>2015</u>
Scholarships	\$ 6,540,506	6,247,873

(6) OTHER LIABILITIES

Other liabilities represent revenues received in advance of being earned.

PLEDGES RECEIVABLE

Unconditional promises to give are recognized as revenues in the period that the promise is made and at their fair value. Pledges due in one year or more are discounted to a present value using a 2% discount rate.

	<u>2016</u>	<u>2015</u>
Gross Pledges Receivable at December 31st	\$ 219,853	271,784
Discount for Loss in Value of Money	(7,259)	(11,157)
Net Pledges Receivable at December 31st	<u>\$ 212,594</u>	<u>260,627</u>

Estimated Pledge Collection by Fiscal Year:

2017	\$ 127,307
2018	43,252
2019	23,558
2020	18,477
	<u>\$ 212,594</u>

It is estimated that all outstanding pledges will be collected.

(7) IN-KIND SERVICES & FACILITIES

During the year, individuals at the college have devoted a substantial amount of time developing and cultivating business relationships and planning fundraisers for the Foundation. The value of contributed services and facilities meeting the requirements for recognition in the financial statements was \$233,669. However, the Foundation has elected not to record either the revenue or expense as the results would have no bearing on net assets.

(8) EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through May 25, 2017, the date which the financial statements were available to be issued, citing no material subsequent events have occurred since the year ended December 31, 2016.