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January 12, 2017

Board of Directors and
Management
DCCC Foundation

We have audited the financial statements of the DCCC Foundation, for the year ended June 30, 2016, and have issued our report thereon dated January 12, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 2, 2016. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

- To record accounts payable for construction in progress of \$124,709.
- To record accrued interest payable of \$63,580.
- To record contribution for naming rights and distribution to DCCC of \$25,000.
- To record contribution from DCCC, related construction in progress of \$1,903,041 and contribution receivable from DCCC of \$124,709.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The limited number of personnel in the Foundation's accounting and administrative staff precludes certain internal controls that would be preferred if there were more staff to provide optimum segregation of duties. This situation requires that the Board remain involved in the financial affairs of the entity to provide oversight and independent review functions.

This information is intended solely for the use of the governing body and management of the DCCC Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kennedy McKee & Company LLP

DODGE CITY COMMUNITY COLLEGE FOUNDATION

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2016 and 2015**

KENNEDY MCKEE & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Dodge City Community College Foundation
Dodge City, Kansas

We have audited the accompanying financial statements of the Dodge City Community College Foundation, (a nonprofit organization) which comprise the statements of financial position as of June 30, 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 the Dodge City Community College Foundation as of June 30, 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.

Kennedy McKee & Company LLP

January 12, 2017

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 31,721	\$ 48,586
Cash restricted for scholarships	1,039	548,455
Investments	534,337	-
Contribution receivable from DCCC	124,709	-
Construction in progress	7,240,408	1,854,359
Short-term government securities restricted for building construction and debt service	415	3,366,736
Deferred bond issuance costs	158,769	170,206
	<u>\$ 8,091,398</u>	<u>\$ 5,988,342</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 124,709	\$ 206,608
Interest payable	63,580	63,580
Bond premium	68,985	73,913
Long-term debt	4,950,000	4,950,000
Total liabilities	<u>5,207,274</u>	<u>5,294,101</u>
Net assets:		
Unrestricted	2,349,748	145,786
Temporarily restricted	534,376	548,455
Total net assets	<u>2,884,124</u>	<u>694,241</u>
Total liabilities and net assets	<u>\$ 8,091,398</u>	<u>\$ 5,988,342</u>

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

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

	Year ended June 30,		
	2016		
	Unrestricted	Temporarily Restricted	Total
Changes in net assets:			
Support and revenues:			
Special events	\$ 17,675	\$ -	\$ 17,675
Direct benefits to donors	33,968	-	33,968
Net special events	(16,293)	-	(16,293)
Rent	138,719	-	138,719
Contributions	31,283	-	31,283
Interest	143	2,229	2,372
Realized gains and (losses)	-	(2,948)	(2,948)
Unrealized gains and (losses)	-	16,640	16,640
Other income	3,520	-	3,520
Contribution from Dodge City Community College	2,081,107	-	2,081,107
Net assets released from restriction	30,000	(30,000)	-
Total support and revenues	2,268,479	(14,079)	2,254,400
Expenses:			
Program services:			
Scholarships and other program support to DCCC	55,000	-	55,000
Interest expense	142	-	142
Other program expenses	748	-	748
Total program services	55,890	-	55,890
Management and general			
Legal	4,280	-	4,280
Advertising	112	-	112
Office Expense	-	-	-
Bank Fees	28	-	28
Subscriptions	366	-	366
Other Expense	1,292	-	1,292
Memberships	525	-	525
Meals	2,024	-	2,024
Total management and general expenses	8,627	-	8,627
Total expenses	64,517	-	64,517
Change in net assets	2,203,962	(14,079)	2,189,883
Net assets, beginning of year	145,786	548,455	694,241
Net assets, end of year	<u>\$2,349,748</u>	<u>\$ 534,376</u>	<u>\$2,884,124</u>

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

Year ended June 30,		
2015		
Unrestricted	Temporarily Restricted	Total
\$ 69,884	-	\$ 69,884
39,188	-	39,188
30,696	-	30,696
-	-	-
9,191	548,250	557,441
310	205	515
-	-	-
-	-	-
90	-	90
97,200	-	97,200
-	-	-
137,487	548,455	685,942
24,976	-	24,976
274	-	274
500	-	500
25,750	-	25,750
7,846	-	7,846
542	-	542
428	-	428
159	-	159
198	-	198
211	-	211
153	-	153
1,229	-	1,229
10,766	-	10,766
36,516	-	36,516
100,971	548,455	649,426
44,815	-	44,815
\$ 145,786	\$ 548,455	\$ 694,241

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2016	2015
Cash flows from operating activities:		
Cash received from contributions	\$ 31,283	\$ 557,441
Cash received for rent	138,719	-
Interest received	2,372	515
Cash received from special events	17,675	69,884
Cash received from others	3,520	90
Cash paid for special events	(33,968)	(39,188)
Cash paid to DCCC for scholarships and other academic support	(55,000)	(24,976)
Cash paid for contest awards	(142)	(500)
Interest paid	(748)	(274)
Cash paid for management and general	(8,627)	(10,766)
Net cash provided (used) by operating activities	<u>95,084</u>	<u>552,226</u>
Cash flows from investing activities:		
Cash paid for building construction	(5,461,439)	(1,579,357)
Purchase of short-term securities	-	(5,076,247)
Sale of short-term securities	3,366,321	1,709,511
Purchase of investments	(573,731)	-
Sale of investments	53,086	-
Net cash provided (used) by investing activities	<u>(2,615,763)</u>	<u>(4,946,093)</u>
Cash flows from financing activities:		
Cash received from bond issuance	-	4,848,893
Contributions received for building construction	1,956,398	97,200
Net cash provided (used) by financing activities	<u>1,956,398</u>	<u>4,946,093</u>
Net change in cash	(564,281)	552,226
Cash and cash equivalents, beginning of year	<u>597,041</u>	<u>44,815</u>
Cash and cash equivalents, end of year	<u>\$ 32,760</u>	<u>\$ 597,041</u>

Year ended June 30,	
2016	2015

Reconciliation of cash and cash equivalents
to the statement of financial position:

Cash and cash equivalents
Cash restricted for scholarships

\$ 31,721	\$ 48,586
1,039	548,455

Total cash and cash equivalents

\$ 32,760	\$ 597,041
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Reconciliation of change in net assets to net
cash provided by operating activities:

Change in net assets
Unrealized gain on investments
Realized loss on sale of investments
Contributions restricted for building construction

\$ 2,189,883	\$ 649,426
(16,640)	-
2,948	-
(2,081,107)	(97,200)

Net cash provided (used) by operating activities

\$ 95,084	\$ 552,226
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The accompanying notes are an integral
part of the financial statements.

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America.

1. Business activity

The Foundation's purpose is to aid in the fulfillment of the research, teaching and service functions of Dodge City Community College. The Foundation is also involved with program development and facility renovation and expansion.

2. Basis of presentation

The Foundation is required to report 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.

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets.

3. Estimates

Management uses estimates and assumptions in preparing financial statements. 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 differ from those estimates.

4. Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method.

Property consists of construction in progress at June 30, 2016 and 2015. Interest capitalized on construction in progress for the year ended June 30, 2016 and 2015 was \$145,087 and \$97,987, respectively.

6. Bond issuance costs

Bond issuance costs are deferred and amortized on the straight line basis over the repayment term of the bonds.

7. Fair value measurements

The Organization has adopted FASB ASC 820. For financial statement elements currently required to be measured at fair value, FASB ASC 820 redefines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles (GAAP) and enhances disclosures about fair value measurements. The new definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

The following disclosure applies the FASB ASC 820 fair value hierarchy and disclosure requirements to the Organization's financial statements that are carried at fair value. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2, and 3).

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

Level 2: Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

8. Bond Premium

Bond premium is deferred and amortized on the straight line basis over the repayment term of the bonds.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Income tax status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization has not identified any uncertainties in federal or state income taxes for any open tax years as of June 30, 2016. The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for June 30, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

10. Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

B. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. All deposits were insured at June 30, 2016. At June 30, 2015, the Organization's uninsured cash balances were \$82,243.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable from Dodge City Community College consist of amounts payable for construction in progress for the student activity center that will be paid for by the College.

D. SHORT-TERM GOVERNMENT SECURITIES

Short-term securities consist of bond proceeds held at a trustee bank restricted for construction of a student activity center. The trustee invests the funds in a money market. The money market invests primarily in short-term U.S. Treasury and government securities. The Federated Government Obligations Fund has a Standard and Poor's rating of AAAm.

	<u>Cost</u>	<u>Fair Value</u>
Federated Government Obligations Fund		
June 30, 2016	\$ 415	\$ 415
June 30, 2015	\$ 3,366,736	\$ 3,366,736

The fair value of these securities is based on observable inputs that reflect quoted prices (Level 1).

E. INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets and other relevant information generated by market transactions (all Level 1 measurements) and consist of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
	<u>Fair Value</u>	<u>Cost</u>
Money market	\$ 26,934	\$ 26,934
Common stock equities	219,009	214,507
Mutual funds	283,711	272,977
Master limited partnerships	4,683	3,279
	<u>\$ 534,337</u>	<u>\$ 517,697</u>

F. ADVERTISING

The Foundation uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$112 and \$542 for the years ended June 30, 2016 and 2015.

G. OPERATING SUBLEASE

The Foundation entered into a sublease agreement with Dodge City Community College in connection with financing the construction of a community events center and recreational facility for the benefit of Dodge City Community College students. The sublease was entered into on October 15, 2014. The original term of the sublease shall terminate on January 15, 2024. The sublease term may be extended for additional terms, solely at the option of the sublessee, in each of the sublessee's fiscal years, provided that at the time of any such extension the remaining sublease term shall not exceed ten years and, provided further, that the final extended term shall not exceed beyond July 15, 2030.

Future minimum sublease payments receivable under the original term are as follows:

Years ended June 30:		
2017	\$	371,370
2018		861,670
2019		371,770
2020		370,320
2021		372,370
Thereafter		<u>1,491,630</u>
Total	\$	<u>3,839,130</u>

H. INDUSTRIAL REVENUE BONDS

The Foundation issued industrial revenue bonds dated September 17, 2014 in the amount of \$4,950,000 at interest rates varying from 2.00% to 3.25% payable in annual installments through July 15, 2030. In conjunction with the debt issuance, the Foundation entered into a sublease agreement with Dodge City Community College. The terms of the sublease are detailed in Note E.

Future minimum scheduled maturities of long-term debt are as follows:

Years ended June 30:		
2017	\$	235,000
2018		735,000
2019		255,000
2020		260,000
2021		270,000
Thereafter		<u>3,195,000</u>
Total	\$	<u>4,950,000</u>

I. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions restricted for academic scholarships for students whose parent or parents reside in Ford County.

J. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 12, 2017, the date the financial statements were available to be issued. Management's evaluation concluded there were no subsequent events requiring disclosure in these financial statements.