

**DODGE CITY COMMUNITY COLLEGE FOUNDATION**

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**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED JUNE 30, 2018 and 2017**

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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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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 20, 2019

# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2018	2017
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 78,004	\$ 43,156
Cash restricted for endowed scholarships	31,918	-
Investments	2,453,065	2,399,828
Contributions receivable	243,154	-
Short-term government securities restricted for building construction and debt service	43	8
Deferred bond issuance costs	135,895	147,332
Cash restricted for buildings and improvements	59,084	-
Construction in progress	916	-
Buildings and improvements	8,160,298	8,136,936
Accumulated depreciation	<u>(350,713)</u>	<u>(146,973)</u>
 Total assets	 <u>\$ 10,811,664</u>	 <u>\$ 10,580,287</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Interest payable	\$ 54,688	\$ 61,426
Bond premium	59,129	64,057
Promissory note payable	60,050	-
Industrial revenue bond payable	<u>3,980,000</u>	<u>4,715,000</u>
 Total liabilities	 <u>4,153,867</u>	 <u>4,840,483</u>
Net assets:		
Unrestricted	3,870,874	3,293,125
Temporarily restricted	1,130,210	805,012
Permanently restricted	<u>1,656,713</u>	<u>1,641,667</u>
 Total net assets	 <u>6,657,797</u>	 <u>5,739,804</u>
 Total liabilities and net assets	 <u>\$ 10,811,664</u>	 <u>\$ 10,580,287</u>

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

# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF ACTIVITIES

	Year ended June 30,			
	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in net assets:				
Support and revenues:				
Special events	\$ 15,860	\$ -	\$ -	\$ 15,860
Direct benefits to donors	4,757	-	-	4,757
	11,103	-	-	11,103
Net special events				
Rent	863,159	-	-	863,159
Contributions	117,292	289,621	12,653	419,566
Interest and dividends	138	105,355	2,393	107,886
Investment fees	-	(12,186)	-	(12,186)
Realized gains and (losses)	-	61,273	-	61,273
Unrealized gains and (losses)	-	(45,803)	-	(45,803)
Royalties	-	1,309	-	1,309
Contribution from Dodge City Community College	15,000	-	-	15,000
Net assets released from restriction	74,371	(74,371)	-	-
Total support and revenues	1,081,063	325,198	15,046	1,421,307
Expenses:				
Program services	450,396	-	-	450,396
Management and general	37,168	-	-	37,168
Fund-raising	15,750	-	-	15,750
Total expenses	503,314	-	-	503,314
Change in net assets before transfer	577,749	325,198	15,046	917,993
Transfer from DCCC Endowment	-	-	-	-
Change in net assets after transfer	577,749	325,198	15,046	917,993
Net assets, beginning of year	3,293,125	805,012	1,641,667	5,739,804
Net assets, end of year	\$ 3,870,874	\$ 1,130,210	\$ 1,656,713	\$ 6,657,797

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

Year ended June 30,  
2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 13,404	-	\$ -	\$ 13,404
2,931	-	-	2,931
10,473	-	-	10,473
372,545	-	-	372,545
12,379	20,000	291,428	323,807
9,895	20,839	376	31,110
-	(6,868)	-	(6,868)
-	(1,198)	-	(1,198)
-	78,534	-	78,534
-	624	-	624
885,963	-	356,405	1,242,368
3,039	(3,039)	-	-
<u>1,294,294</u>	<u>108,892</u>	<u>648,209</u>	<u>2,051,395</u>
329,291	-	-	329,291
19,057	-	-	19,057
49,190	-	-	49,190
<u>397,538</u>	<u>-</u>	<u>-</u>	<u>397,538</u>
896,756	108,892	648,209	1,653,857
<u>46,621</u>	<u>161,744</u>	<u>993,458</u>	<u>1,201,823</u>
943,377	270,636	1,641,667	2,855,680
<u>2,349,748</u>	<u>534,376</u>	<u>-</u>	<u>2,884,124</u>
<u>\$ 3,293,125</u>	<u>\$ 805,012</u>	<u>\$ 1,641,667</u>	<u>\$ 5,739,804</u>

# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended June 30,	
	2018	2017
Expenses:		
Program services:		
Scholarships and other program support to DCCC	\$ 84,560	\$ 68,400
Salaries	18,200	10,065
Interest expense	126,441	101,402
Depreciation	203,740	146,973
Newsletter	1,540	1,794
Repairs and maintenance	1,600	-
Supplies	14,315	-
Other program expenses	-	657
	450,396	329,291
Management and general		
Salaries	20,800	11,503
Accounting and legal	4,116	1,936
Advertising	2,015	-
Office Expense	1,823	1,643
Bank Fees	1,650	1,590
Conferences	751	-
Insurance	2,709	-
Subscriptions	-	668
Other Expense	1,462	277
Memberships	625	-
Meals	1,217	1,440
	37,168	19,057
Fund-raising		
Salaries	15,750	7,190
Consulting	-	42,000
	15,750	49,190
Total expenses	\$ 503,314	\$ 397,538

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



# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2018	2017
Cash flows from operating activities:		
Cash received from contributions	\$ 117,292	\$ 12,379
Cash received for rent	863,159	372,545
Interest received	138	8
Cash received from special events	15,860	13,404
Cash paid for special events	(4,757)	(2,931)
Cash paid to DCCC for scholarships and other academic support	(84,560)	(68,400)
Cash paid to DCCC for salary reimbursements	(39,750)	-
Other program expense	(17,455)	(2,451)
Interest paid	(126,670)	(136,370)
Cash paid for management and general	(16,368)	(7,554)
Cash paid for fund-raising	-	(42,000)
	706,889	138,630
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Cash paid for building construction	(24,278)	(981,914)
Purchase of short-term securities	(35)	-
Sale of short-term securities	-	407
Purchase of investments	-	(639,876)
Sale of investments	57,795	60,485
Purchase of assets restricted for endowed scholarships	(31,918)	-
Purchase of assets restricted for investment in buildings and improvements	(59,084)	-
	(57,520)	(1,560,898)
Net cash provided (used) by investing activities		
Cash flows from financing activities:		
Note proceeds	60,050	-
Repayment of revenue bond principal	(735,000)	(235,000)
DCCC contributions for building construction	-	981,914
DCCC contributions restricted for scholarships	-	356,405
Contributions restricted for scholarships	31,653	311,428
Royalties restricted for scholarships	1,309	624
Contributions restricted for activity center	27,467	-
Transfer from DCCC Endowment	-	17,293
	(614,521)	1,432,664
Net cash provided (used) by financing activities		
Net change in cash	34,848	10,396
Cash and cash equivalents, beginning of year	43,156	32,760
Cash and cash equivalents, end of year	\$ 78,004	\$ 43,156

	Year ended June 30,	
	<u>2018</u>	<u>2017</u>
Reconciliation of cash and cash equivalents to the statement of financial position:		
Cash and cash equivalents	<u>\$ 78,004</u>	<u>\$ 43,156</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 917,993	\$ 2,855,680
Unrealized (gain) loss on investments	45,803	(78,534)
Realized (gain) loss on sale of investments	(61,273)	1,198
Interest and dividends reinvested	(107,748)	(31,102)
Investment fees	12,186	6,868
Capitalized interest	-	(39,323)
Depreciation expense	203,740	146,973
Bond issuance cost amortization	11,437	11,437
Bond premium accretion	(4,928)	(4,928)
DCCC contributions restricted for building construction	-	(857,205)
DCCC contributions restricted for scholarships	-	(356,405)
Contributions restricted for scholarships	(31,653)	(311,428)
Royalties restricted for scholarships	(1,309)	(624)
Contributions restricted for activity center	(27,467)	-
Transfer from DCCC Endowment	-	(1,201,823)
(Increase) decrease in contribution receivable	(243,154)	124,709
Increase (decrease) in accounts payable	-	(124,709)
Increase (decrease) in interest payable	(6,738)	(2,154)
Net cash provided (used) by operating activities	<u>\$ 706,889</u>	<u>\$ 138,630</u>

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

# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

### 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 accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### 3. Basis of presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets – Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. The unspent appreciation of the Foundation's donor-restricted endowment funds is also reported as temporarily restricted net assets. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Foundation considers the restriction met when the assets are placed in service. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3. Basis of presentation (continued)

Permanently restricted net assets – Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Organization's donor-restricted endowment funds that the Organization is committed to maintaining in perpetuity are classified in this net asset class.

### 4. 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.

### 5. 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, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

### 6. 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 over the estimated useful lives of the assets as follows:

Buildings and improvements	40 years
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Interest capitalized on construction in progress for the year ended June 30, 2018 and 2017 was \$0 and \$39,323, respectively.

### 7. Bond issuance costs

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

### 8. Fair value measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 8. Fair value measurements (continued)

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### 9. Bond premium

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

### 10. 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, 2018. The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for June 30, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

### 11. 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.

### 12. Promises to give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

### 13. 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. CONTRIBUTIONS RECEIVABLE

The Foundation has received several promises to give that are designated for priority projects, supporting the health of the Foundation, activities, programs, or capital projects that the Foundation has deemed of highest importance. The promises to give as of June 30, 2018 are unconditional. Promises to give that are due after June 30, 2019 are discounted 3.00%. Uncollectible promises are expected to be insignificant.

Unconditional promises to give are as follows:

	<u>2018</u>
Due in less than one year	\$ 58,000
Due in one to five years	115,000
Due in more than five years	<u>115,000</u>
Total unconditional promises to give	288,000
Less: Discounts to net present value	<u>(44,846)</u>
Net unconditional promises to give	<u>\$ 243,154</u>

## C. SHORT-TERM GOVERNMENT SECURITIES

Short-term securities consist of bond proceeds held at a trustee bank restricted for construction of a student activity center and debt service payments. 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, 2018	\$ 43	\$ 43
June 30, 2017	\$ 8	\$ 8

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

## D. 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:

	June 30,			
	<u>2018</u>		<u>2017</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
Money market	\$ 214,978	\$ 214,978	\$ 271,360	\$ 271,360
Common stock equities	623,310	582,975	448,915	430,828
Exchange traded funds	376,918	395,733	-	-
Mutual funds	1,153,043	1,092,467	1,575,585	1,465,566
Master limited partnerships	-	-	13,872	12,946
Options	8,847	7,505	-	-
Asset & mortgage backed securities	<u>75,969</u>	<u>74,035</u>	<u>90,096</u>	<u>87,955</u>
	<u>\$ 2,453,065</u>	<u>\$ 2,367,693</u>	<u>\$ 2,399,828</u>	<u>\$ 2,268,655</u>

## D. INVESTMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at June 30, 2018 and 2017.

Money markets are valued at cost, which approximates fair value due to the short-term nature of these investments.

Common stock equities, exchanged traded funds, master limited partnerships, options, and asset & mortgage backed securities are valued using market prices from active market exchanges.

Mutual funds are valued at the net asset value of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

## E. ENDOWMENT

Dodge City Community College Foundation's endowment consists of individual funds established by donors to provide scholarships to students of Dodge City Community College. Its endowment includes permanent endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors of Dodge City Community College Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, Dodge City Community College Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization 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 organization 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 organization
- (7) The investment policies of the organization

### Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ (10,385)</u>	<u>\$ 234,998</u>	<u>\$ 1,656,713</u>	<u>\$ 1,881,326</u>

E. ENDOWMENT (CONTINUED)

**Changes in Endowment Net Assets for the Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (26,337)	\$ 230,601	\$ 1,641,667	\$ 1,845,931
Contributions	-	10,000	12,653	22,653
Investment return:				
Royalty	-	1,309	-	1,309
Investment income	-	81,179	2,393	83,572
Net depreciation (realized and unrealized)	-	(22,624)	-	(22,624)
Total investment return	-	59,864	2,393	62,257
Released from restriction	65,467	(65,467)	-	-
Expenses	(49,515)	-	-	(49,515)
Endowment net assets, end of year	<u>\$ (10,385)</u>	<u>\$ 234,998</u>	<u>\$ 1,656,713</u>	<u>\$ 1,881,326</u>

**Endowment Net Asset Composition by Type of Fund as of June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ (26,337)</u>	<u>\$ 230,601</u>	<u>\$ 1,641,667</u>	<u>\$ 1,845,931</u>

**Changes in Endowment Net Assets for the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Contribution from DCCC Contributions	-	20,000	356,405	356,405
Total contributions	-	20,000	647,833	667,833
Investment return:				
Royalty	-	624	-	624
Investment income	-	4,115	376	4,491
Net appreciation (realized and unrealized)	-	47,157	-	47,157
Total investment return	-	51,896	376	52,272
Released from restriction	3,039	(3,039)	-	-
Expenses	(29,376)	-	-	(29,376)
Transfer from DCCC Endowment	-	161,744	993,458	1,155,202
Endowment net assets, end of year	<u>\$ (26,337)</u>	<u>\$ 230,601</u>	<u>\$ 1,641,667</u>	<u>\$ 1,845,931</u>



E. ENDOWMENT (CONTINUED)

**Description of Amounts Classified as Permanently and Temporarily Restricted Net Asset (Endowment Only)**

	June 30,	
	<u>2018</u>	<u>2017</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA and classified as permanently restricted net assets	<u>\$1,656,713</u>	<u>\$1,641,667</u>
Temporarily restricted net assets		
Term endowment funds available for awarding scholarships	<u>\$ 234,998</u>	<u>\$ 230,601</u>

**Funds with Deficits**

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the SPMIFA requires the Dodge City Community College Foundation to maintain as a fund of perpetual duration. There was one donor restricted endowment at June 30, 2018 and 2017, that had value at less than the original gift. The deficit in that endowment at June 30, 2018 and 2017 was \$10,385 and \$26,337, respectively.

**Return Objectives and Risk Parameters**

The Dodge City Community College Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner to preserve and enhance its endowment funds with a secondary goal of achieving an overall return which will be sufficient to support a level of spending that, as a percent of investable assets, will be relatively constant and will grow at least as rapidly as inflation.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Dodge City Community College Foundation has adopted a strategic Asset Allocation Plan that envisions a reasonably stable distribution of assets among major asset classes. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization 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 and How the Investment Objectives Relate to Spending Policy**

The Foundation has a policy of appropriating for disbursement each year, the amount required to meet the scholarships needs of students of Dodge City Community College within the parameters established by the donor (exclusive of unrealized gains and losses). In establishing this policy, Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow and maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## F. MERGER

The Dodge City Community College Endowment Association merged with the Dodge City Community College Foundation effective December 31, 2016. As a result of the merger, the Endowment Association was dissolved and became part of the Foundation. Through their merger, the organization will seek to further their common mission of providing financial assistance to the Dodge City Community College while reducing administrative overhead costs. Assets transferred to the Dodge City Community College Foundation were as follows:

Cash	\$ 17,293
Investments	<u>1,184,530</u>
Total assets transferred	<u>\$1,201,823</u>

## 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:		
2019	\$	371,770
2020		370,320
2021		372,370
2022		374,120
2023		370,645
Thereafter		<u>746,865</u>
Total	\$	<u>2,606,090</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 G.

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

Years ended June 30:		
2019	\$	255,000
2020		260,000
2021		270,000
2022		280,000
2023		285,000
Thereafter		<u>2,630,000</u>
Total	\$	<u>3,980,000</u>

I. PROMISSORY NOTE PAYABLE

The Foundation signed an unsecured promissory note on April 23, 2018, to purchase materials and labor for an indoor track at the Student Activity Center. This is a variable rate note (6.20% at June 30, 2018) payable in seven annual installments of \$9,782 and one final payment consisting of the full amount of the remaining principal and interest due on April 23, 2026.

J. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	June 30,	
	<u>2018</u>	<u>2017</u>
Scholarships	\$ 859,589	\$ 805,012
Student Activities Center	27,467	-
Contributions receivable, unavailable until payments are due	<u>243,154</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$1,130,210</u>	<u>\$ 805,012</u>

K. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable for scholarships to students.

L. AFFILIATED ORGANIZATION

The Foundation is affiliated with Dodge City Community College (a governmental entity) because of economic interest. The College does not control the Foundation since it is a legally separate entity with an independent elected board. There is an economic interest as evidenced through the Foundation's support of college students and activities. During the years ended June 30, 2018 and 2017, the Foundation awarded scholarships and other program support in the amounts of \$84,560 and \$68,400 respectively to the College.

The College contributed salaries of the Foundation Director of \$52,000 and \$28,758 for the years ended June 30, 2018 and 2017, respectively.

The College paid rent to the Foundation for use of the student activity center in the amounts of \$863,159 and \$372,545 for the years ended June 30, 2018 and 2017, respectively.

The College paid construction in progress payments relating to the construction of the student activity center in the amounts of \$0 and \$857,205 for the years ended June 30, 2018 and 2017, respectively.

The College received an endowed scholarship donation of \$356,405. The College appropriated the contribution to the Foundation for the year ended June 30, 2017. The endowed contribution has been accounted for as a permanently restricted contribution in accordance with the donor's original intent.

#### M. ERROR CORRECTIONS

The Statement of Activities and Changes in Net Assets for the year ended June 30, 2017, has been restated due to the misclassification of contributions as permanently restricted net assets.

During the year ended June 30, 2017, the Foundation received three contributions totaling \$20,000 that were thought to be permanently restricted for endowed scholarships. However, management has determined that they can in fact use the principle of these contributions to award scholarships. Therefore, these contributions should be shown as temporarily restricted. Correcting this error increased temporarily restricted net assets and decreased permanently restricted net assets by \$20,000

#### N. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 20, 2019, 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.