



DODGE CITY COMMUNITY COLLEGE FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020



DODGE CITY COMMUNITY COLLEGE FOUNDATION

June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dodge City Community College Foundation
Dodge City, KS 67801

We have audited the accompanying statements of financial position of Dodge City Community College Foundation (Foundation), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2021 and 2020, and the related Statements of Activities, Statements of Functional Expenses and Statements of 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 audits 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 Foundation as of June 30, 2021 and 2020, 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.

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DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 245,342	\$ 139,954
Restricted cash	156,811	161,733
Investments	3,791,649	2,985,559
Unconditional promises to give, net	142,872	174,513
Deferred bond issuance costs, net	101,854	113,201
Buildings and improvements	8,160,298	8,160,298
Accumulated depreciation	<u>(962,735)</u>	<u>(758,728)</u>
TOTAL ASSETS	<u>\$ 11,636,091</u>	<u>\$ 10,976,530</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Interest payable	\$ 45,086	\$ 48,800
Bond premium	44,345	49,273
Promissory note payable	40,848	47,628
Industrial revenue bond payable	<u>3,195,000</u>	<u>3,465,000</u>
Total liabilities	<u>3,325,279</u>	<u>3,610,701</u>
 Net Assets		
Without donor restrictions	4,145,149	4,031,735
With donor restrictions	<u>4,165,663</u>	<u>3,334,094</u>
Total net assets	<u>8,310,812</u>	<u>7,365,829</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,636,091</u>	<u>\$ 10,976,530</u>

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 86,470	\$ 181,856	\$ 268,326
Special events, net of direct expenses	59,417	-	59,417
Rent	372,370	-	372,370
Net investment return	(28,822)	867,890	839,068
Royalties	-	185	185
Total revenues, gains and other support	489,435	1,049,931	1,539,366
Net assets released from restrictions	415,455	(415,455)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	904,890	634,476	1,539,366
EXPENSES			
Program Services	562,384	-	562,384
Supporting Services			
Management and general	20,181	-	20,181
Fundraising	11,818	-	11,818
Total supporting services	31,999	-	31,999
Total expenses	594,383	-	594,383
INCREASE IN NET ASSETS BEFORE RECLASSIFICATIONS	310,507	634,476	944,983
RECLASSIFICATIONS	(197,093)	197,093	-
INCREASE IN NET ASSETS	113,414	831,569	944,983
NET ASSETS AT BEGINNING OF YEAR	4,031,735	3,334,094	7,365,829
NET ASSETS AT END OF YEAR	\$ 4,145,149	\$ 4,165,663	\$ 8,310,812

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 5,661	\$ 357,260	\$ 362,921
Special events, net of direct expense	88,812	-	88,812
Rent	370,320	-	370,320
Net investment return	(22,129)	219,949	197,820
Royalties	-	426	426
Total revenues, gains and other support	442,664	577,635	1,020,299
Net assets released from restrictions	359,919	(359,919)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	802,583	217,716	1,020,299
EXPENSES			
Program Services	655,492	-	655,492
Supporting Services			
Management and general	20,221	-	20,221
Fundraising	11,818	-	11,818
Total supporting services	32,039	-	32,039
Total expenses	687,531	-	687,531
INCREASE (DECREASE) IN NET ASSETS BEFORE RECLASSIFICATIONS	115,052	217,716	332,768
RECLASSIFICATIONS	(22,686)	22,686	-
INCREASE IN NET ASSETS	92,366	240,402	332,768
NET ASSETS AT BEGINNING OF YEAR	3,939,369	3,093,692	7,033,061
NET ASSETS AT END OF YEAR	\$ 4,031,735	\$ 3,334,094	\$ 7,365,829

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

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021 and 2020

	Supporting Services							
	Program Services		Management and General		Fundraising		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Scholarships	\$ 62,971	\$ 66,940	\$ -	\$ -	\$ -	\$ -	\$ 62,971	\$ 66,940
Salaries	14,197	13,447	15,485	15,485	11,818	11,818	41,500	40,750
Marketing and advertising	-	4,276	3,822	2,854	-	-	3,822	7,130
Supplies and office expenses	19,780	14,933	66	1,650	-	-	19,846	16,583
Project expense	32,867	206,499	-	-	-	-	32,867	206,499
Interest expense	108,077	116,889	-	-	-	-	108,077	116,889
Fine arts expense	20,056	1,106	-	-	-	-	20,056	1,106
Depreciation expense	204,008	204,007	-	-	-	-	204,008	204,007
Grant expenses	91,371	27,000	-	-	-	-	91,371	27,000
Bank fees	-	-	808	232	-	-	808	232
Other	9,057	395	-	-	-	-	9,057	395
Total Functional Expenses	<u>\$562,384</u>	<u>\$655,492</u>	<u>\$ 20,181</u>	<u>\$ 20,221</u>	<u>\$ 11,818</u>	<u>\$ 11,818</u>	<u>\$594,383</u>	<u>\$687,531</u>

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 295,883	\$ 393,098
Cash received from rent	372,370	370,320
Cash received from interest and dividends	144	7
Cash received from special events	74,299	151,573
Cash paid for special events	(14,882)	(62,761)
Cash paid to DCCC for scholarships and other academic support	(62,971)	(66,940)
Cash paid to DCCC for salary reimbursements	(41,500)	(40,750)
Cash disbursed for other program expenses	(173,132)	(254,209)
Cash paid for interest	(105,372)	(114,047)
Cash disbursed for management and general	<u>(4,696)</u>	<u>(4,736)</u>
 Net cash flows from operating activities	 <u>340,143</u>	 <u>371,555</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(115,603)	(839,019)
Proceeds from sale of investments	<u>148,437</u>	<u>873,137</u>
 Net cash flows from investing activities	 <u>32,834</u>	 <u>34,118</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on industrial revenue bond principal	(270,000)	(260,000)
Payment on promissory note principal	(6,780)	(6,363)
Royalties restricted for scholarships	185	426
Contributions restricted to endowment	<u>4,084</u>	<u>1,250</u>
 Net cash flows from financing activities	 <u>(272,511)</u>	 <u>(264,687)</u>
 NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	 100,466	 140,986
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE BEGINNING OF YEAR	<u>301,687</u>	<u>160,701</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF YEAR	<u>\$ 402,153</u>	<u>\$ 301,687</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	\$ 245,342	\$ 139,954
Restricted cash	<u>156,811</u>	<u>161,733</u>
 TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	 <u>\$ 402,153</u>	 <u>\$ 301,687</u>

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

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

1. ORGANIZATION AND PURPOSE

Dodge City Community College Foundation (the Foundation) is a Kansas nonprofit organization. The Foundation exists to benefit the Dodge City Community College (DCCC) and is considered a component unit of DCCC. The Foundation's purpose is to aid in the fulfillment of the research, teaching and service functions of DCCC and to provide scholarships to the College's students. The Foundation is also involved with program development and facility renovation and expansion. Support is received primarily from contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting and Presentation

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives as specified by donors; in accordance with regulations, restrictions, or limitations imposed by sources outside the institution; or in accordance with directions issued by the governing board.

These financial statements, which are presented on the accrual basis of accounting, have been prepared on the basis of generally accepted accounting principles published by the American Institute of Certified Public Accountants. The statements have been prepared to focus on the Foundation as a whole.

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

Net assets without donor restrictions - Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class, because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.

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

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets without donor restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(a) Basis of Accounting and Presentation (Cont.)

Net investment returns are reported as follows:

- as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund, and/or if the terms of the gift impose restrictions on the use of the income;
- as increases in net assets without donor restrictions in all other cases.

(b) Cash and Cash Equivalents

The financial statements include a Statement of Cash Flows showing cash and cash equivalents from operating, investing and financing activities. The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be "cash equivalents." This includes money market accounts and certificates of deposit, not including those held in brokerage accounts. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the Statement of Cash Flows. At times such investments may be in excess of the FDIC insurance limit.

(c) Restricted Cash

Restricted cash consists of restricted deposits held by the Foundation for capital projects and grants. Restricted cash is presented within cash, cash equivalents and restricted cash in the Statement of Cash Flows.

(d) Investments

Dividend and interest revenue is accrued as earned. Investments are stated at fair value and further discussion is in Note 5 - Fair Value Measurements. Investment income and realized and unrealized gains and losses are reflected in the Statement of Activities as net assets without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year, is classified as revenue with donor restrictions and net assets released from restrictions.

(e) Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Program expenses are charged directly to the identified program. There are no allocations. Management and general expenses include those expenses that

(f) Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized as revenues in the period received, and are reported as increases in the appropriate category of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution are included in net assets without donor restrictions. Contributions are classified as revenue with donor restrictions based on time restrictions or donor-imposed stipulations. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value of the asset contributed. Contributions to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recognized as contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible promises to give is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation 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 Foundation adopted FASB ASC topic 740, Income Taxes related to uncertain tax positions, which prescribes a recognition threshold and measurement attributable for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Foundation did not have any material uncertain tax positions as of June 30, 2021 and 2020. Tax years with open statutes of limitations are 2017 and forward.

(h) Revenue and Revenue Recognition

The majority of the Foundation's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. Unconditional contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received and are classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either a net asset with donor restrictions or a net asset without donor restrictions.

(i) Restricted and Unrestricted Revenue

Contributions are reported as increases in with or without donor net assets, depending on the nature of the donor restrictions, if any. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the donor restricted net asset class, and a reclassification to without donor restrictions is made to reflect the expiration of such restrictions.

(j) 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. There were no changes to the net asset balances as a result of the reclassifications.

(k) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(l) Bond Issuance costs

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

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(m) 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. Buildings and improvements are depreciated over a useful life of 40 years.

The Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted future cash flows expected to result from the use of the assets compared to its carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value. No impairment has been recognized through June 30, 2021 and 2020.

(n) New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases, which once implemented will result in lessees recognizing most leased assets and corresponding lease liabilities on the statement of financial position. The standard is effective July 1, 2021 for the Foundation. The Foundation is currently assessing the impact that ASU 2016-02 will have on its financial statements and will adopt the provisions upon the effective date.

3. CONCENTRATION OF CREDIT RISK

The Foundation has a concentrated credit risk for cash and cash equivalents because it maintains deposits in banks that sometimes exceed amounts insured by the Federal Deposit Insurance Corporation. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the value of the Foundation's investments and the total net assets balance.

With respect to program-related investments, the Foundation routinely assesses the financial strength of its debtors and believes that the related credit risk exposure is limited or appropriately reserved for.

4. INVESTMENTS

Investments include money market funds, debt securities (primarily federal government agency bonds, United States Treasury notes and corporate bonds) and equity securities (mutual funds, ETFs and corporate stock).

The fair market value of investments using quoted prices in active markets for identical assets or liabilities is as follows for June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Money Market	\$ -	\$ 177,497	\$ 177,497
Exchange Traded Funds (ETF)	-	776,546	776,546
Mutual Funds	-	2,292,693	2,292,693
Asset and Mortgage Backed Securities	-	35,328	35,328
Common Stock	-	509,585	509,585
Total Investments	<u>\$ -</u>	<u>\$ 3,791,649</u>	<u>\$ 3,791,649</u>

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

4. INVESTMENTS (CONT.)

The fair market value of investments using quoted prices in active markets for identical assets or liabilities is as follows for June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Totals
Certificates of deposits	\$ -	\$ 65,561	\$ 65,561
Money Market	-	99,559	99,559
Exchange Traded Funds	-	646,471	646,471
Mutual Funds	-	1,553,031	1,553,031
Asset and Mortgage Backed Securities	-	53,600	53,600
Common Stock	-	567,337	567,337
Total Investments	<u>\$ -</u>	<u>\$ 2,985,559</u>	<u>\$ 2,985,559</u>

5. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the 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 standard describes three levels of inputs that may be used to measure fair value.

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

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 other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- *Market Approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- *Income Approach* – Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

5. FAIR VALUE MEASUREMENTS (CONT.)

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. Certificates of deposit are valued at cost or net realizable value, which approximates fair value, due to the short-term maturity of the financial instrument. These are presented as Level 1 measurements on the table below. Money Market Funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. These are presented as Level 1 measurements on the table below.

The fair values of debt and equity investments, including alternative investments, that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. The Foundation's Board of Directors assesses and approves these policies and procedures. At least annually, Management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value on a recurring basis at June 30, 2021, and 2020.

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 177,497	\$ -	\$ -	\$ 177,497
Exchange Traded Funds	776,546	-	-	776,546
Mutual Funds	2,292,693	-	-	2,292,693
Asset and Mortgage Backed Securities	-	35,328	-	35,328
Common Stock	509,585	-	-	509,585
Total investments valued at fair value	\$ 3,756,321	\$ 35,328	\$ -	\$ 3,791,649
	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ 65,561	\$ -	\$ -	\$ 65,561
Money Market	99,559	-	-	99,559
Exchange Traded Funds	646,471	-	-	646,471
Mutual Funds	1,553,031	-	-	1,553,031
Asset and Mortgage Backed Securities	-	53,600	-	53,600
Common Stock	567,337	-	-	567,337
Total investments valued at fair value	\$ 2,931,959	\$ 53,600	\$ -	\$ 2,985,559

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

6. ENDOWMENT FUNDS

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

The 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.

(a) Donor-Restricted Endowment Composition

The data in the tables below shows only the permanently endowed funds and the related income and appreciation/depreciation of those invested endowed funds.

	June 30,	
	2021	2020
Without donor restrictions	\$ -	\$ -
With donor restrictions	<u>3,058,038</u>	<u>2,378,283</u>
Total funds	<u>\$ 3,058,038</u>	<u>\$ 2,378,283</u>

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

6. ENDOWMENT FUNDS (CONT.)

(b) Changes in Endowment Net Assets for the Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,378,283	\$ 2,378,283
Investment return:			
Royalty	-	185	185
Investment income	-	91,234	91,234
Net appreciation (realized & unrealized)	-	633,513	633,513
Total investment return	-	724,932	724,932
Contributions/additions	-	57,265	57,265
Released from restrictions	102,442	(102,442)	-
Appropriation of endowment assets for expenditure	(102,442)	-	(102,442)
Subtotal	-	(45,177)	(45,177)
Net Endowment activity for year	-	679,755	679,755
Endowment net assets, end of year	\$ -	\$ 3,058,038	\$ 3,058,038
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,232,134	\$ 2,232,134
Investment return:			
Royalty	-	426	426
Investment income	-	74,618	74,618
Net appreciation (realized & unrealized)	-	117,155	117,155
Total investment return	-	192,199	192,199
Contributions/additions	-	33,752	33,752
Released from restrictions	79,802	(79,802)	-
Appropriation of endowment assets for expenditure	(79,802)	-	(79,802)
Subtotal	-	(46,050)	(46,050)
Net Endowment activity for year	-	146,149	146,149
Endowment net assets, end of year	\$ -	\$ 2,378,283	\$ 2,378,283

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

6. ENDOWMENT FUNDS (CONT.)

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies would result from unfavorable market fluctuations that occurred during the year and through continued appropriation for certain programs that was deemed prudent by the Foundation. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets. There were no deficiencies of this nature that were reported in net assets without donor restrictions as of June 30, 2021 and 2020.

(d) Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3% to 5%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

To satisfy its long-term rate of return, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The Foundation targets a diversified asset allocation that utilizes fixed income and equity-based investments to achieve its long-term objectives within prudent risk constraints.

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, the 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.

7. 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 sub lessee, in each of the sub lessee'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.

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

7. OPERATING SUBLEASE (CONT.)

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

Years ended June 30	
2022	374,120
2023	370,645
2024	371,945
2025	372,945
2026	373,945

8. PROMISES TO GIVE

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, 2021 and 2020, are unconditional. Promises to give that are due after June 30, 2021 are discounted 3.00%. Uncollectible promises are expected to be insignificant.

Unconditional promises to give are as follows.

	2021	2020
Due in less than one year	\$ 34,667	\$ 34,833
Due in one to five years	34,500	64,500
Due in more than five years	97,500	102,500
Total unconditional promises to give	166,667	201,833
Less: Discounts to net present value	(23,795)	(27,320)
Net unconditional promises to give	\$ 142,872	\$ 174,513

9. 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 7.

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

Years ended June 30	
2022	\$ 280,000
2023	285,000
2024	295,000
2025	305,000
2026	315,000
Thereafter	1,715,000
	\$ 3,195,000

10. 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, 2021 and 2020) payable in seven annual installments of \$9,774 and one final payment consisting of the full amount of the remaining principal and interest due on April 23, 2026.

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

11. 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, 2021 and 2020, the Foundation awarded scholarships and other program support in the amounts of \$62,971 and \$66,940 respectively to the College.

The College contributed salaries of the Foundation Director of \$41,500 and \$40,750 for the years ended June 30, 2021 and 2020, respectively.

The College paid rent to the Foundation for use of the student activity center in the amounts of \$372,370 and \$370,320 for the years ended June 30, 2021 and 2020, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

	June 30,	
	2021	2020
Subject to expenditure for specific purpose:		
Scholarships	\$ 890,072	\$ 694,756
Student Activities Center	74,394	30,134
Unconditional promises to give, unavailable until payments are due	142,872	174,513
Projects	287	56,408
Subtotal	1,107,625	955,811
Endowments:		
Subject to endowment spending policy and appropriation:		
Scholarships	455,338	414,155
Investment in perpetuity	2,602,700	1,964,128
Subtotal	3,058,038	2,378,283
Total net assets with donor restrictions	\$ 4,165,663	\$ 3,334,094

Endowments are restricted to investments in perpetuity, the income of which is expendable for general operations and scholarships.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2021 and 2020.

	June 30,	
	2021	2020
Satisfaction of specified purpose restrictions:		
Scholarship distributions	\$ 373,347	\$ 153,278
Student Activities Center	34,818	95,815
Project expense	7,290	110,826
Total	\$ 415,455	\$ 359,919

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

13. LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, unconditional promises to give, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing funding and scholarships to students of Dodge City Community College as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2021 and 2020, the following tables show the total financial assets held by the Foundation and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end:	2021	2020
Cash and cash equivalents	\$ 245,342	\$ 139,954
Restricted cash	156,811	161,733
Unconditional promises to give, net	142,842	174,513
Investments	<u>3,791,649</u>	<u>2,985,559</u>
Total financial assets	<u>4,336,644</u>	<u>3,461,759</u>
Less those unavailable for general expenditures within one year, due to:		
<u>Contractual or donor-imposed restrictions:</u>		
Donor restricted donations	(1,451,867)	(1,226,761)
Unconditional promises to give (long term)	(111,096)	(143,205)
<u>Not available due to nature of asset:</u>		
Investment in perpetuity (endowment)	<u>(2,602,700)</u>	<u>(1,964,128)</u>
Financial assets available to meet cash needs for general expenditures within one year of balance sheet date	<u>\$ 170,981</u>	<u>\$ 127,665</u>

The endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

14. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Endowment's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Endowment is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2022. Future potential impacts may include a decrease in certain revenues, reduced customer traffic and the temporary closure of operating hours of our offices.

DODGE CITY COMMUNITY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

15. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report which is the date on which the financial statements were available to be issued.