

Tarrant County College Foundation

Financial Report

August 31, 2017

CONTENTS

Page

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



Independent Auditor's Report

To the Board of Directors
Tarrant County College Foundation

We have audited the accompanying financial statements of Tarrant County College Foundation (the Foundation), which comprise the statements of financial position as of August 31, 2017 and 2016, 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 Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tarrant County College Foundation as of August 31, 2017 and 2016, 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.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 22, 2017

Tarrant County College Foundation

Statements of Financial Position

August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 831,317	\$ 833,745
Pledges receivable	721,982	364,950
Investments	11,968,385	10,675,011
Investments held in trust for affiliate	8,682,377	8,643,455
	<hr/>	<hr/>
Total assets	<u>\$ 22,204,061</u>	<u>\$ 20,517,161</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 254	\$ 5,305
Due to affiliate	594,698	675,354
Funds held in trust for affiliate	8,682,377	8,643,455
	<hr/>	<hr/>
Total liabilities	<u>9,277,329</u>	<u>9,324,114</u>
NET ASSETS		
Unrestricted	1,776,723	1,518,239
Temporarily restricted	7,075,212	6,155,462
Permanently restricted	4,074,797	3,519,346
	<hr/>	<hr/>
Total net assets	<u>12,926,732</u>	<u>11,193,047</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 22,204,061</u></u>	<u><u>\$ 20,517,161</u></u>

The Notes to Financial Statements are an integral part of these statements.

Tarrant County College Foundation
Statements of Activities
Years Ended August 31, 2017 and 2016

	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues		
Gifts	\$ 33,070	\$ 31,999
Gifts - in kind	840,986	826,239
Realized and unrealized gains (losses) on investments	303,596	161,543
Dividend and interest income	80,253	74,046
Net assets released from restrictions for satisfaction of programs	1,957,937	1,543,908
Total revenues	3,215,842	2,637,735
Expenses		
Scholarships and support of College	1,976,559	1,589,907
General and administrative	139,813	101,368
General and administrative - in kind	840,986	826,239
Total expenses	2,957,358	2,517,514
Change in unrestricted net assets	258,484	120,221
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Gifts	1,990,245	1,972,130
Realized and unrealized gains (losses) on investments	742,278	331,600
Dividend and interest income	197,620	168,013
Investment management fees and expenses	(52,456)	(49,656)
Net assets released from restrictions for satisfaction of programs	(1,957,937)	(1,543,908)
Change in temporarily restricted net assets	919,750	878,179
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Revenues		
Gifts	534,090	55,396
Dividend and interest income	21,361	23,862
Change in permanently restricted net assets	555,451	79,258
CHANGE IN NET ASSETS	1,733,685	1,077,658
NET ASSETS AT BEGINNING OF YEAR	11,193,047	10,115,389
NET ASSETS AT END OF YEAR	\$ 12,926,732	\$ 11,193,047

The Notes to Financial Statements are an integral part of these statements.

Tarrant County College Foundation

Statements of Cash Flows

Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,733,685	\$ 1,077,658
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Restricted gifts and grants received	(534,090)	(55,396)
Net unrealized losses (gains) on investments	(1,083,081)	(493,143)
Reinvested dividends and gains	(210,294)	(193,432)
Changes in operating assets and liabilities:		
Pledges receivable	(357,032)	(143,933)
Accounts payable and accrued liabilities	(5,050)	(2,133)
Accounts payable due to affiliate	(80,656)	(145,117)
Net cash provided by (used in) operating activities	(536,518)	44,504
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,525,068	1,656,884
Purchases of investments	(2,525,068)	(1,681,042)
Net cash used in investing activities	-	(24,158)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment in endowment	534,090	55,396
Net cash provided by financing activities	534,090	55,396
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,428)	75,742
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	833,745	758,003
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 831,317	\$ 833,745

The Notes to Financial Statements are an integral part of these statements.

Tarrant County College Foundation

Notes to Financial Statements

Note 1. Nature of Operations

Tarrant County College Foundation (the Foundation) is an affiliate of Tarrant County College District (the College). The mission of the Foundation is to raise, manage, and provide philanthropic support for the students and critical needs of the College, as identified through the college district's strategic planning process. The Foundation is supported through grants, contributions and fundraising activities primarily from sources within the geographic area in which it is located.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by the passage of time or accomplishment of a purpose.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions are recognized as revenues in the period unconditional promises to give are 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 discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Reclassifications

Certain amounts in the prior year presented have been reclassified to conform to the current period presentation. These reclassifications have no effect on previously reported change in net assets.

Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents unless held subject to restrictions that require them to be used for endowment.

Tarrant County College Foundation

Notes to Financial Statements

Investments

Investments are recorded at their fair market value. Unrealized appreciation or depreciation in values is recorded in the statements of activities. Purchased assets are initially recorded at cost. Donated investments are recorded at fair value at the date of gift. Investments are made according to the investment policy adopted by the Foundation's Board of Directors. These guidelines provide for a balanced diversified portfolio with investments in equities, fixed income and other securities with performance measured against appropriate indices. Outside parties are contracted by the Foundation for the purpose of providing investment management.

Funds Held in Trust

Accounting principles generally accepted in the United States of America (GAAP) requires that if an organization establishes a fund at a Foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the Foundation must account for the transfer of such assets as a liability. The liability is reflected under funds held in trust for affiliate on the accompanying statements of financial position.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. GAAP requires that the Foundation recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. GAAP also provides guidance on measurement, classification, interest and penalties and disclosure. Tax positions taken related to the Foundation's not-for-profit status have been reviewed and management is of the opinion that material positions taken by the Foundation would more likely than not be sustained by examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax benefits. As of August 31, 2017, the Foundation's tax years 2015 and thereafter remain subject to examination.

Concentrations of Credit Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through November 22, 2017, which is the date the financial statements were available to be issued.

Tarrant County College Foundation

Notes to Financial Statements

Note 3. Pledges Receivable

Pledges receivable are summarized as follows at August 31:

Unconditional promises expected to be collected in:

	2017	2016
Less than one year	\$ 638,982	\$ 168,950
One to five years	83,000	196,000
	\$ 721,982	\$ 364,950

Management considers all contributions to be fully collectible. The present value of cash flows from recorded promises to give does not vary significantly from the stated value. Accordingly, no discount has been recorded.

Note 4. Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, establishes a framework for measuring fair value. Fair value measurements reflected in the financial statements conceptually represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect the Foundation's assumptions about how market participants would value an asset or liability based on the best information available.

Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 inputs: Inputs to the valuation methodology include unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Active markets are considered to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes investments in common stock which have direct observable markets and are valued at unadjusted quoted prices in active markets on the date of the measurement.

Level 2 inputs: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of 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.

Tarrant County College Foundation

Notes to Financial Statements

- 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: Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Money Market Funds and Mutual Funds – reported as level 1 are determined by reference to quoted market prices in principal active markets for identical assets as of the valuation date.

Mutual Fund Investments in Equity Funds, Real Estate Funds, and Fixed Income Funds – reported as level 2 are valued utilizing the net asset valuations provided by the fund managers and their administrators.

Information related to the investments measured at fair value on a recurring basis at August 31, 2017 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Money markets	\$ 10,977	\$ -	\$ -	\$ 10,977
Mutual funds:				
Equity funds	4,647,888	3,457,867	-	8,105,755
Real estate funds	-	694,765	-	694,765
Fixed income funds	-	3,156,888	-	3,156,888
Total investments	<u>\$ 4,658,865</u>	<u>\$ 7,309,520</u>	<u>\$ -</u>	<u>\$ 11,968,385</u>
Investments held in trust for affiliate				
Money markets	\$ 3,772,704	\$ -	\$ -	\$ 3,772,704
Mutual funds:				
Fixed income funds	-	4,909,673	-	4,909,673
Total investments held in trust for affiliate	<u>\$ 3,772,704</u>	<u>\$ 4,909,673</u>	<u>\$ -</u>	<u>\$ 8,682,377</u>

Tarrant County College Foundation

Notes to Financial Statements

Information related to the investments measured at fair value at August 31, 2016 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Money markets	\$ 108,642	\$ -	\$ -	\$ 108,642
Mutual funds:				
Equity funds	4,568,546	2,485,657	-	7,054,203
Real estate funds	-	315,480	-	315,480
Fixed income funds	-	3,196,686	-	3,196,686
Total investments	<u>\$ 4,677,188</u>	<u>\$ 5,997,823</u>	<u>\$ -</u>	<u>\$ 10,675,011</u>
Investments held in trust for affiliate				
Money markets	\$ 1,760,905	\$ -	\$ -	\$ 1,760,905
Mutual funds:				
Equity funds	1,811,407	985,889	-	2,797,296
Real estate funds	-	125,810	-	125,810
Fixed income funds	-	3,959,444	-	3,959,444
Total investments held in trust for affiliate	<u>\$ 3,572,312</u>	<u>\$ 5,071,143</u>	<u>\$ -</u>	<u>\$ 8,643,455</u>

Investment return for the years ended August 31 was composed of:

	2017	2016
Realized gains on mutual funds	\$ 202,127	\$ 85,470
Unrealized gains	880,954	407,674
Interest and dividends	262,724	243,554
Investment expenses	<u>(52,430)</u>	<u>(50,123)</u>
	<u>\$ 1,293,375</u>	<u>\$ 686,575</u>

Note 5. Endowments

The Foundation's endowments consist of 85 individual donor-restricted funds established for future scholarships and programs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation implemented a Uniform Prudent Management of Institutional Funds Act (UPMIFA) policy regarding the management of institutional funds (including endowment funds). The Board of Directors of the Foundation has interpreted the Texas' enacted version of UPMIFA as the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Unless stated otherwise in the gift instrument, 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 in a manner consistent with the standard of prudence prescribed by UPMIFA.

Tarrant County College Foundation

Notes to Financial Statements

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

To satisfy long term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of equities, fixed income, real assets, and cash to achieve its long-term return objective within prudent risk constraints. The asset allocation ranges for the year ended August 31, 2017 are as follows:

	Range		
	Policy Target	Low	High
Equities	52%	37%	67%
Fixed income	34%	24%	44%
Real assets	13%	0%	18%
Money market	1%	0%	10%

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the Foundation is required to retain as a fund of perpetual duration. There are no deficiencies as of August 31, 2017 and 2016 in funds.

Endowment net assets are comprised of the following at August 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 1,247,080	\$ 4,074,797	\$ 5,321,877

Endowment net assets are comprised of the following at August 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 848,307	\$ 3,519,346	\$ 4,367,653

Tarrant County College Foundation

Notes to Financial Statements

Changes in endowment net assets for the year ended August 31, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, August 31, 2015	\$ -	\$ 696,922	\$ 3,440,088	\$ 4,137,010
Investment return				
Investment income	-	79,788	23,862	103,650
Net appreciation (realized and unrealized)	-	183,811	-	183,811
Total investment return	-	263,599	23,862	287,461
Contributions	-	-	55,396	55,396
Amounts used for scholarships	-	(112,214)	-	(112,214)
Endowment net assets, August 31, 2016	-	848,307	3,519,346	4,367,653
Investment return				
Investment income	-	90,938	21,361	112,299
Net appreciation (realized and unrealized)	-	404,308	-	404,308
Total investment return	-	495,246	21,361	516,607
Contributions	-	-	534,090	534,090
Amounts used for scholarships	-	(96,473)	-	(96,473)
Endowment net assets, August 31, 2017	<u>\$ -</u>	<u>\$ 1,247,080</u>	<u>\$ 4,074,797</u>	<u>\$ 5,321,877</u>

Note 6. Related Party Transactions

The College employs individuals whose duties and responsibilities relate solely to the furtherance of the objectives of the Foundation. Additionally, the Foundation utilizes office space that is provided as an in-kind donation by the College.

The fair value of donated services and rent provided in this manner to the Foundation was included in the statements of activities at the estimated values of \$657,835 and \$79,885 respectively, for the year ended August 31, 2017, and \$628,718 and \$82,009, respectively, for the year ended August 31, 2016. Also included in the statements of activities for the years ended August 31, 2017 and 2016 is \$103,266 and \$115,512, respectively, related to supplies and other administrative expenses paid by the College on behalf of the Foundation.

Tarrant County College Foundation

Notes to Financial Statements

Note 7. Funds Held in Trust for Affiliate

During 2012, the Foundation entered into an agreement with the College to manage certain designated funds of the College, including funds derived from oil and gas leases. Under this agreement, the Foundation will invest, manage and monitor the funds in accordance with the Public Funds Investment Act and other applicable laws, and the written investment policy approved by the College. Under this agreement, the College shall determine the use of the earnings from the funds and authorize, in writing, all expenditures from the funds. Changes in the funds held in trust for affiliate for the years ended August 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 8,643,455	\$ 8,395,386
Withdrawal	(31,250)	(74,000)
Net appreciation in fair value	70,173	322,069
	<u>\$ 8,682,378</u>	<u>\$ 8,643,455</u>