

Tarrant County College Foundation

Financial Report

August 31, 2019

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Independent Auditor's Report

To the Board of Directors of the
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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses net asset classification requirements and the information presented in financial statements and notes regarding liquidity, financial performance and cash flows. The Foundation adopted ASU 2016-14 in year ended August 31, 2019. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

The Board of Directors of the
Tarrant County College Foundation

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, 2019 and 2018, 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, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 18, 2019

Tarrant County College Foundation
 Statements of Financial Position
 August 31, 2019 and 2018

| | 2019 | 2018 |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,247,389 | \$ 882,479 |
| Pledges receivable | 149,412 | 375,612 |
| Investments | 13,928,301 | 13,522,153 |
| Investments held in trust for affiliate | 12,570,330 | 11,977,123 |
| Total assets | \$ 27,895,432 | \$ 26,757,367 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 8,313 | \$ 9,439 |
| Due to affiliate | 965,300 | 972,042 |
| Funds held in trust for affiliate | 12,570,330 | 11,977,123 |
| Total liabilities | 13,543,943 | 12,958,604 |
| NET ASSETS | | |
| Without donor restrictions | 1,834,412 | 1,891,870 |
| With donor restrictions | 12,517,077 | 11,906,893 |
| Total net assets | 14,351,489 | 13,798,763 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 27,895,432 | \$ 26,757,367 |

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

Tarrant County College Foundation
Statements of Activities
Years Ended August 31, 2019

| | 2019 | | |
|---|--|---|----------------------|
| | <u>Net Assets without Donor Restrictions</u> | <u>Net Assets with Donor Restrictions</u> | <u>Total</u> |
| Revenues | | | |
| Gifts | \$ 26,917 | \$ 2,469,309 | \$ 2,496,226 |
| Gifts - in kind | 888,895 | - | 888,895 |
| Realized and unrealized gains on investments | (139,613) | (414,259) | (553,872) |
| Dividend and interest income | 156,766 | 512,562 | 669,328 |
| Net assets released from restrictions for satisfaction of programs | <u>1,957,428</u> | <u>(1,957,428)</u> | <u>-</u> |
| Total revenues | 2,890,393 | 610,184 | 3,500,577 |
| Expenses | | | |
| Program Expenses | | | |
| Scholarships and college support program | | | |
| Scholarships | 1,842,557 | - | 1,842,557 |
| College program expenses | 26,498 | - | 26,498 |
| Grant expenses | 87,838 | - | 87,838 |
| Supporting Services | | | |
| General and administrative | | | |
| Salaries and wages | 63,094 | - | 63,094 |
| Professional fees | 24,761 | - | 24,761 |
| Meeting expenses | 4,324 | - | 4,324 |
| Insurance | 3,372 | - | 3,372 |
| Other | 6,512 | - | 6,512 |
| In-kind support | <u>888,895</u> | <u>-</u> | <u>888,895</u> |
| Total expenses | <u>2,947,851</u> | <u>-</u> | <u>2,947,851</u> |
| Change in net assets | (57,458) | 610,184 | 552,726 |
| NET ASSETS, beginning of year | <u>1,891,870</u> | <u>11,906,893</u> | <u>13,798,763</u> |
| NET ASSETS, end of year | <u>\$ 1,834,412</u> | <u>\$ 12,517,077</u> | <u>\$ 14,351,489</u> |

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

Tarrant County College Foundation
Statements of Activities – Continued
Years Ended August 31, 2018

| | 2018 | | |
|---|--|---------------------------------------|---------------|
| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
| Revenues | | | |
| Gifts | \$ 36,967 | \$ 2,495,233 | \$ 2,532,200 |
| Gifts - in kind | 890,108 | - | 890,108 |
| Realized and unrealized gains on investments | 20,051 | 46,784 | 66,835 |
| Dividend and interest income | 203,305 | 545,088 | 748,393 |
| Net assets released from restrictions for satisfaction of programs | 2,330,221 | (2,330,221) | - |
| Total revenues | 3,480,652 | 756,884 | 4,237,536 |
| Expenses | | | |
| Program Expenses | | | |
| Scholarships and college support program | | | |
| Scholarships | 1,698,219 | - | 1,698,219 |
| College program expenses | 54,076 | - | 54,076 |
| Grant expenses | 564,445 | - | 564,445 |
| Supporting Services | | | |
| General and administrative | | | |
| Salaries and wages | 60,889 | - | 60,889 |
| Professional fees | 76,093 | - | 76,093 |
| Meeting expenses | 10,322 | - | 10,322 |
| Insurance | 3,372 | - | 3,372 |
| Other | 7,980 | - | 7,980 |
| In-kind support | 890,109 | - | 890,109 |
| Total expenses | 3,365,505 | - | 3,365,505 |
| Change in net assets | 115,147 | 756,884 | 872,031 |
| NET ASSETS, beginning of year | 1,776,723 | 11,150,009 | 12,926,732 |
| NET ASSETS, end of year | \$ 1,891,870 | \$ 11,906,893 | \$ 13,798,763 |

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

Tarrant County College Foundation
Statements of Cash Flows
Years Ended August 31, 2019 and 2018

| | 2019 | 2018 |
|--|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 552,726 | \$ 872,031 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Restricted gifts and grants received | (74,475) | (156,945) |
| Net unrealized gains on investments | 553,872 | (524,515) |
| Reinvested dividends and gains | (641,954) | (290,713) |
| Changes in operating assets and liabilities | | |
| Pledges receivable | 226,200 | 346,370 |
| Accounts payable and accrued liabilities | (1,126) | 9,185 |
| Accounts payable due to affiliate | | |
| Deferred revenues | (6,742) | 377,344 |
| | 608,501 | 632,757 |
| Net cash provided by operating activities | 608,501 | 632,757 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 2,953,640 | 1,313,739 |
| Purchases of investments | (3,271,706) | (2,052,279) |
| | (318,066) | (738,540) |
| Net cash used in investing activities | (318,066) | (738,540) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions restricted for investment in endowment | 74,475 | 156,945 |
| | 74,475 | 156,945 |
| Net cash provided by financing activities | 74,475 | 156,945 |
| Net change in cash and cash equivalents | 364,910 | 51,162 |
| CASH AND CASH EQUIVALENTS, beginning of year | 882,479 | 831,317 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 1,247,389 | \$ 882,479 |

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

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements are as follows:

New Accounting Standard Adopted

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update is intended to improve the complexity and understandability of net asset classification, information about liquidity and availability of resources, and improve consistency in the type of information provided about expenses and investment return. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three, recognition of underwater endowment funds as a reduction of net assets with donor restrictions, and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for net assets, liquidity, and the methods used to allocate expenses among program and supporting functions. The Foundation implemented the pronouncement in 2019 and has adjusted the presentation of the statements accordingly.

Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (ASC) Topic 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, 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 and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed use or time restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that will either be met by actions of the Foundation, by the passage of time, or are to be maintained perpetually.

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.

Functional Allocation of Expenses

The costs of providing the programs and supporting service of the Foundation have been summarized on a natural basis in the statement of activities. Functional expenses have been categorized as program and supporting services based on the nature of the activity performed, and, as such, no costs have been allocated across the functional expense categories.

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, 2019, 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.

Tarrant County College Foundation

Notes to Financial Statements

Reclassification

Certain balances related to 2018 have been reclassified to conform to the 2019 presentation. The reclassifications had no effect on total net assets or change in net assets.

Subsequent Events

Subsequent events were evaluated through November 18, 2019, which is the date the financial statements were available to be issued.

Note 3. Pledges Receivable

Pledges receivable are summarized as follows at August 31:

Unconditional promises expected to be collected in:

| | 2019 | 2018 |
|--------------------|------------|------------|
| Less than one year | \$ 149,412 | \$ 369,612 |
| One to five years | - | 6,000 |
| | \$ 149,412 | \$ 375,612 |

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.

Tarrant County College Foundation

Notes to Financial Statements

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

Level 1 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 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; and
- 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 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.

Tarrant County College Foundation

Notes to Financial Statements

Information related to the investments measured at fair value on a recurring basis at August 31, 2019 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 | \$ 315,969 | \$ - | \$ - | \$ 315,969 |
| Mutual funds | | | | |
| Equity funds | 4,907,109 | 3,436,792 | - | 8,343,901 |
| Real estate and commodity funds | - | 1,028,113 | - | 1,028,113 |
| Fixed income funds | - | 4,240,318 | - | 4,240,318 |
| Total investments | <u>\$ 5,223,078</u> | <u>\$ 8,705,223</u> | <u>\$ -</u> | <u>\$13,928,301</u> |
| Investments held in trust for affiliate | | | | |
| Money markets | \$ 373,088 | \$ - | \$ - | \$ 373,088 |
| Mutual funds | | | | |
| Equity funds | 4,402,587 | 2,669,229 | - | 7,071,816 |
| Real estate and commodity funds | - | 1,316,437 | - | 1,316,437 |
| Fixed income funds | - | 3,808,989 | - | 3,808,989 |
| Total investments held in trust for affiliate | <u>\$ 4,775,675</u> | <u>\$ 7,794,655</u> | <u>\$ -</u> | <u>\$12,570,330</u> |

Information related to the investments measured at fair value at August 31, 2018 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 | \$ 225,052 | \$ - | \$ - | \$ 225,052 |
| Mutual funds | | | | |
| Equity funds | 5,096,459 | 3,379,544 | - | 8,476,003 |
| Real estate and commodity funds | - | 744,886 | - | 744,886 |
| Fixed income funds | - | 4,076,212 | - | 4,076,212 |
| Total investments | <u>\$ 5,321,511</u> | <u>\$ 8,200,642</u> | <u>\$ -</u> | <u>\$13,522,153</u> |
| Investments held in trust for affiliate | | | | |
| Money markets | \$ 338,440 | \$ - | \$ - | \$ 338,440 |
| Mutual funds | | | | |
| Equity funds | 4,482,210 | 2,894,928 | - | 7,377,138 |
| Real estate and commodity funds | - | 649,737 | - | 649,737 |
| Fixed income funds | - | 3,611,808 | - | 3,611,808 |
| Total investments held in trust for affiliate | <u>\$ 4,820,650</u> | <u>\$ 7,156,473</u> | <u>\$ -</u> | <u>\$11,977,123</u> |

Tarrant County College Foundation

Notes to Financial Statements

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

| | 2019 | 2018 |
|--------------------------------|------------|------------|
| Realized gains on mutual funds | \$ 326,873 | \$ 446,067 |
| Unrealized gains and losses | (553,872) | 78,448 |
| Interest and dividends | 369,516 | 346,848 |
| Investment expenses | (54,435) | (56,135) |
| | \$ 88,082 | \$ 815,228 |

Note 5. Net Assets

Net assets without donor restrictions consist of the following as of August 31, 2019 and 2018:

| | 2019 | 2018 |
|------------------|--------------|--------------|
| Undesignated | \$ 79,349 | \$ 94,923 |
| Board designated | 1,755,063 | 1,796,947 |
| | \$ 1,834,412 | \$ 1,891,870 |

Net assets with donor restrictions as of August 31, 2019 and 2018:

| | 2019 | 2018 |
|---------------------|---------------|---------------|
| Purpose restriction | \$ 8,552,117 | \$ 7,687,868 |
| In perpetuity | 3,964,960 | 4,219,025 |
| | \$ 12,517,077 | \$ 11,906,893 |

Net assets with donor restrictions are available to provide scholarships and fund Foundation programs. In years ended August 31, 2019 and 2018, \$1,957,428 and \$2,330,221 respectively, were released from restriction for Scholarships.

Note 6. Endowments

The Foundation's endowments consist of 43 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.

Tarrant County College Foundation

Notes to Financial Statements

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 net assets with donor restrictions (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, and the remaining portion of the donor-restricted endowment fund until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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, 2019 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, 2019 and 2018 in funds.

Tarrant County College Foundation

Notes to Financial Statements

Endowment net assets are comprised of the following at August 31, 2019:

| | <u>Net Assets without Donor Restrictions</u> | <u>Net Assets with Donor Restrictions</u> | <u>Total Endowment Net Assets</u> |
|-------------------------------------|--|---|---|
| Donor restricted endowment funds | <u>\$ -</u> | <u>\$ 5,108,712</u> | <u>\$ 5,108,712</u> |

Endowment net assets are comprised of the following at August 31, 2018:

| | <u>Net Assets without Donor Restrictions</u> | <u>Net Assets with Donor Restrictions</u> | <u>Total Endowment Net Assets</u> |
|-------------------------------------|--|---|---|
| Donor restricted endowment funds | <u>\$ -</u> | <u>\$ 5,622,948</u> | <u>\$ 5,622,948</u> |

Tarrant County College Foundation

Notes to Financial Statements

Changes in endowment net assets for the year ended August 31, 2019 and 2018:

| | <u>Net Assets without Donor Restrictions</u> | <u>Net Assets with Donor Restrictions</u> | <u>Endowment Net Assets</u> |
|---|--|---|---------------------------------|
| Endowment net assets, August 31, 2017 | \$ - | \$ 5,321,877 | \$ 5,321,877 |
| Investment return | | | |
| Investment income | - | 300,186 | 300,186 |
| Net appreciation (realized and unrealized) | - | 14,925 | 14,925 |
| Total investment return | - | 315,111 | 315,111 |
| Contributions | - | 157,301 | 157,301 |
| Reclassifications | - | (32,905) | (32,905) |
| Amounts used for scholarships | - | (138,436) | (138,436) |
| Endowment net assets, August 31, 2018 | - | 5,622,948 | 5,622,948 |
| Investment return | | | |
| Investment income | - | 265,475 | 265,475 |
| Net appreciation (realized and unrealized) | - | (325,653) | (325,653) |
| Total investment return | - | (60,178) | (60,178) |
| Contributions | - | 74,475 | 74,475 |
| Reclassifications | - | (355,914) | (355,914) |
| Amounts used for scholarships | - | (172,619) | (172,619) |
| Endowment net assets, August 31, 2019 | <u>\$ -</u> | <u>\$ 5,108,712</u> | <u>\$ 5,108,712</u> |

Note 7. Liquidity

As a not-for-profit entity, the Foundation receives significant funding in the form of contributions from donors and investment earnings, which may be restricted for a certain amount of time or to be used in a particular manner. The Foundation must maintain sufficient resources to meet those responsibilities to its contributors. Thus, financial assets may not be available for general expenditure within one year. As part of managing its financial assets, the Foundation ensures sufficient resources are available when obligations come due.

Tarrant County College Foundation

Notes to Financial Statements

The following reflects the Foundation's financial assets as of the statement of financial position date, including amounts not available within one year of the statement of financial position date. Amounts not available include donor-imposed restricted contributions.

| | |
|--|----------------------------|
| Financial assets | |
| Cash and cash equivalents | \$ 1,247,389 |
| Pledges receivable | 149,412 |
| Investments | <u>26,498,631</u> |
| Total financial assets, year end | 27,895,432 |
| Less | |
| Investments held on behalf of related party | (12,570,330) |
| Net assets with donor restrictions | <u>(12,517,077)</u> |
| Total financial assets not available to be used within one year | <u>(25,087,407)</u> |
| Total financial assets available to meet general expenditures within one year | <u><u>\$ 2,808,025</u></u> |

Note 8. 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 \$722,066 and \$82,511 respectively, for the year ended August 31, 2019, and \$706,286 and \$81,760, respectively, for the year ended August 31, 2018. Also included in the statements of activities for the years ended August 31, 2019 and 2018 is \$84,318 and \$102,062, 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 9. 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, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|--------------------------------|---------------|---------------|
| Balance, beginning of year | \$ 11,977,123 | \$ 8,682,378 |
| Additional deposits | 613,553 | 3,173,683 |
| Withdrawal | (142,768) | (154,080) |
| Net appreciation in fair value | 122,422 | 275,142 |
| Balance, end of year | \$ 12,570,330 | \$ 11,977,123 |

Note 10. Change in donor stipulations

During 2019, the Foundation received instructions from some donors to remove donor stipulations requiring donations be held in perpetuity. The reclassification totaled \$355,914 for the year ended August 31, 2019.