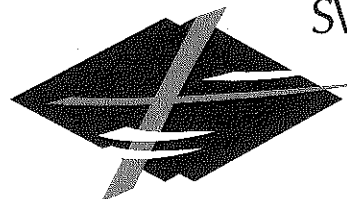


**DGE CITY COMMUNITY COLLEGE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**



**SWINDOLL  
JANZEN  
HAWK &  
LOYD, LLC**

Certified Public Accountants

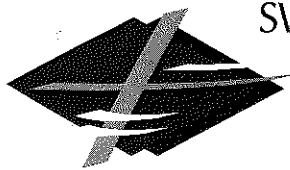
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**DODGE CITY COMMUNITY COLLEGE FOUNDATION**

**June 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
INDEPENDENT AUDITOR'S REPORT .....	1-2
 FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities .....	4-5
Statements of Functional Expenses .....	6-7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 - 19



SWINDOLL  
JANZEN  
HAWK &  
LOYD, LLC

Certified Public Accountants

80  
YEARS

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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 Statement of Financial Position as of June 30, 2019, and the related Statement of Activities, Statement of Functional Expenses and Statement of Cash Flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Emphasis of Matter

The financial statements as of and for the year ended June 30, 2018, were audited by a predecessor auditor. In their report dated January 20, 2019, they issued an unmodified opinion.

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As discussed in Note 2(k) to the consolidated financial statements, in 2019, the Foundation adopted new accounting guidance, FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The guidance has been applied retrospectively to 2018. Our opinion is not modified with respect to this matter.

#### 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Swindoll, Janzen, Hawk & Loyd, LLC*

Swindoll, Janzen, Hawk & Loyd, LLC

Hutchinson, KS

February 18, 2020

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 71,945	\$ 78,004
Restricted cash	88,756	91,045
Investments	2,821,864	2,453,065
Unconditional promises to give	205,940	243,154
Deferred bond issuance costs, net	124,548	135,895
Construction in progress	-	916
Buildings and improvements	8,160,298	8,160,298
Accumulated depreciation	<u>(554,721)</u>	<u>(350,713)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,918,630</u></b>	<b><u>\$ 10,811,664</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Interest payable	52,377	54,688
Bond premium	54,201	59,129
Promissory note payable	53,991	60,050
Industrial revenue bond payable	<u>3,725,000</u>	<u>3,980,000</u>
<b>Total liabilities</b>	<b><u>3,885,569</u></b>	<b><u>4,153,867</u></b>
Net Assets		
Without donor restrictions	3,939,369	3,870,874
With donor restrictions	<u>3,093,692</u>	<u>2,786,923</u>
<b>Total net assets</b>	<b><u>7,033,061</u></b>	<b><u>6,657,797</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,918,630</u></b>	<b><u>\$ 10,811,664</u></b>

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

# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 8,646	\$ 168,297	\$ 176,943
Contribution from Alumni Association of DCCC	-	259,318	259,318
Special events, net of direct expenses	71,076	-	71,076
Rent	371,770	-	371,770
Net investment return	4	99,840	99,844
Royalties	-	693	693
Total revenues, gains and other support	451,496	528,148	979,644
Net assets released from restrictions	221,379	(221,379)	-
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<u>672,875</u>	<u>306,769</u>	<u>979,644</u>
<b>EXPENSES</b>			
Program Services	<u>575,035</u>	-	<u>575,035</u>
Supporting Services			
Management and general	18,180	-	18,180
Fundraising	11,165	-	11,165
Total supporting services	<u>29,345</u>	-	<u>29,345</u>
Total expenses	<u>604,380</u>	-	<u>604,380</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	68,495	306,769	375,264
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>3,870,874</u>	<u>2,786,923</u>	<u>6,657,797</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,939,369</u>	<u>\$ 3,093,692</u>	<u>\$ 7,033,061</u>

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

# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 132,292	\$ 302,274	\$ 434,566
Special events, net of direct expense	11,103	-	11,103
Rent	863,159	-	863,159
Net investment return	138	111,032	111,170
Royalties	-	1,309	1,309
Total revenues, gains and other support	1,006,692	414,615	1,421,307
Net assets released from restrictions	74,371	(74,371)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,081,063	340,244	1,421,307
EXPENSES			
Program Services	450,396	-	450,396
Supporting Services			
Management and general	37,168	-	37,168
Fundraising	15,750	-	15,750
Total supporting services	52,918	-	52,918
Total expenses	503,314	-	503,314
INCREASE (DECREASE) IN NET ASSETS	577,749	340,244	917,993
NET ASSETS AT BEGINNING OF YEAR	3,293,125	2,446,679	5,739,804
NET ASSETS AT END OF YEAR	\$ 3,870,874	\$ 2,786,923	\$ 6,657,797

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

**DODGE CITY COMMUNITY COLLEGE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships - paid to individuals	\$ 104,997	\$ -	\$ -	\$ 104,997
Salaries	12,705	14,630	11,165	38,500
Marketing and advertising	3,944	2,312	-	6,256
Supplies and office expenses	10,878	1,071	-	11,949
Repairs and maintenance	916	-	-	916
Project expense	77,413	-	-	77,413
Interest expense	124,601	-	-	124,601
Fine arts expense	25,856	-	-	25,856
Depreciation expense	204,007	-	-	204,007
Grant expenses	9,718	-	-	9,718
Bank fees	-	167	-	167
Total Functional Expenses	<u>\$ 575,035</u>	<u>\$ 18,180</u>	<u>\$ 11,165</u>	<u>\$ 604,380</u>

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



# DODGE CITY COMMUNITY COLLEGE FOUNDATION

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 295,177	\$ 117,292
Cash received from rent	371,770	863,159
Cash received from interest and dividends	5	138
Cash received from special events	119,265	15,860
Cash paid for special events	(48,189)	(4,757)
Cash paid to DCCC for scholarships and other academic support	(104,997)	(84,560)
Cash paid to DCCC for salary reimbursements	(38,500)	(39,750)
Cash disbursed for other program expenses	(127,808)	(17,455)
Cash paid for interest	(120,493)	(126,670)
Cash disbursed for management and general	<u>(3,550)</u>	<u>(16,368)</u>
Net cash from operating activities	<u>342,680</u>	<u>706,889</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for building construction	-	(24,278)
Purchase of investments	(2,094,561)	(35)
Proceeds from sale of investments	1,825,601	57,795
Purchase of assets restricted for endowed scholarships	-	(31,918)
Purchase of assets restricted for investment in building and improvements	<u>-</u>	<u>(59,084)</u>
Net cash from investing activities	<u>(268,960)</u>	<u>(57,520)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on industrial revenue bond principal	(255,000)	(735,000)
Promissory note proceeds	-	60,050
Payment on promissory note principal	(6,059)	-
Royalties restricted for scholarships	693	1,309
Restricted contributions	-	46,467
Contributions restricted to endowment	<u>180,587</u>	<u>12,653</u>
Net cash from financing activities	<u>(79,779)</u>	<u>(614,521)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,059)	34,848
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	<u>78,004</u>	<u>43,156</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<u>\$ 71,945</u>	<u>\$ 78,004</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, 2019 and 2018

### 1. ORGANIZATION AND PURPOSE

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

### 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 available for use in general operations and not subject to donor (or certain grantor-imposed) 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 discount is 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.

## **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
- 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, including those held in brokerage accounts, and certificates of deposit. 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) Investments***

Dividend and interest revenue is accrued as earned. Investments are stated at fair value and further discussion is in Note 6 - 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 included in with donor restrictions revenue and net assets released from restrictions.

### ***(d) Expense Allocation***

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Program expenses are charged directly to the identified program. There are no allocations. Management and general expenses include those expenses that are not directly identifiable to an activity but provide for the overall support and direction of the Foundation's various departments.

### ***(e) Promises to Give***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Management considers all unconditional promises to give to be collectible; therefore, there is not an allowance for uncollectible promises to give recognized on the Statement of Financial Position. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise to give becomes unconditional.

### ***(f) 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, 2019 and 2018. Tax years with open statutes of limitations are 2015 and forward.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### *(g) 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.

### *(h) 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.

### *(i) Property and equipment*

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

Buildings and improvements	40 years
----------------------------	----------

### *(j) Bond Issuance costs*

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

### *(k) Change in Accounting Principle*

On August 18, 2016, 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 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no effect to net assets and there were no changes to the net asset balances as a result of applying this standard.

## 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. 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, 2019 and 2018, are unconditional. Promises to give that are due after June 30, 2020 are discounted 3.00%. Uncollectible promises are expected to be insignificant.

Unconditional promises to give are as follows.

	2019	2018
Due in less than one year	\$ 35,417	\$ 58,000
Due in one to five years	94,500	115,000
Due in more than five years	107,500	115,000
Total unconditional promises to give	237,417	288,000
Less: Discounts to net present value	(31,477)	(44,846)
Net unconditional promises to give	\$ 205,940	\$ 243,154

#### 5. INVESTMENTS

Marketable investments include miscellaneous cash equivalents (primarily money market funds), debt securities (primarily federal government agency bonds, United States Treasury notes and corporate bonds) and equity securities (mutual funds and corporate stock).

The fair market value of marketable investments using quoted prices in active markets for identical assets or liabilities is as follows for June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Totals
Certificates of deposits	\$ -	\$ 120,409	\$ 120,409
Money Market	-	258,037	258,037
Exchange Traded Funds	-	754,767	754,767
Mutual Funds	-	550,749	550,749
Asset and Mortgage Backed Securities	-	618,778	618,778
Common Stock	-	519,124	519,124
Total Investments	\$ -	\$ 2,821,864	\$ 2,821,864

The fair market value of marketable investments using quoted prices in active markets for identical assets or liabilities is as follows for June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Totals
Certificates of deposits	\$ -	\$ -	\$ -
Money Market	-	214,978	214,978
Exchange Traded Funds	-	376,918	376,918
Mutual Funds	-	1,153,043	1,153,043
Asset and Mortgage Backed Securities	-	75,969	75,969
Common Stock	-	623,310	623,310
Options	-	8,847	8,847
Total Investments	\$ -	\$ 2,453,065	\$ 2,453,065

## 6. 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).

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.

## 6. FAIR VALUE MEASUREMENTS (CONT.)

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value at June 30, 2019, and 2018.

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposits	\$ 120,409	\$ -	\$ -	\$ 120,409
Money Market	258,037	-	-	258,037
Exchange Traded Funds	754,767	-	-	754,767
Mutual Funds	550,749	-	-	550,749
Asset and Mortgage Backed Securities	618,778	-	-	618,778
Common Stock	519,124	-	-	519,124
Total investments valued at fair value	<u>\$ 2,821,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,821,864</u>

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 214,978	\$ -	\$ -	\$ 214,978
Exchange Traded Funds	376,918	-	-	376,918
Mutual Funds	1,153,043	-	-	1,153,043
Asset and Mortgage Backed Securities	75,969	-	-	75,969
Common Stock	623,310	-	-	623,310
Options	8,847	-	-	8,847
Total investments valued at fair value	<u>\$ 2,453,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,453,065</u>

## 7. 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

## 7. ENDOWMENT FUNDS (CONT.)

### *Interpretation of Relevant Law (cont.)*

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. It does not include the investments that are not permanently restricted.

	June 30,	
	2019	2018
Without donor restrictions	\$ -	\$ -
With donor restrictions	2,232,134	1,881,326
Total funds	<u>\$ 2,232,134</u>	<u>\$ 1,881,326</u>

### *(b) Changes in Endowment Net Assets for the Years Ended June 30, 2019 and 2018*

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,881,326	\$ 1,881,326
Investment return:			
Royalty	-	693	693
Investment income	-	65,395	65,395
Net appreciation (realized & unrealized)	-	5,311	5,311
Total investment return	-	71,399	71,399
Contributions/additions	-	336,528	336,528
Released from restrictions	57,119	(57,119)	-
Appropriation of endowment assets for expenditure	(57,119)	-	(57,119)
Subtotal	-	279,409	279,409
Net Endowment activity for year	-	350,808	350,808
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,232,134</u>	<u>\$ 2,232,134</u>



## 7. ENDOWMENT FUNDS (CONT.)

### (b) Changes in Endowment Net Assets for the Years Ended June 30, 2019 and 2018 (cont.)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ (15,952)	\$ 1,861,883	\$ 1,845,931
Investment return:			
Royalty	-	1,309	1,309
Investment income	-	83,572	83,572
Net appreciation (realized & unrealized)	-	(22,624)	(22,624)
Total investment return	-	62,257	62,257
Contributions/additions			
Released from restrictions	-	22,653	22,653
Appropriation of endowment assets for expenditure	65,467	(65,467)	-
Subtotal	(49,515)	-	(49,515)
	15,952	(42,814)	(26,862)
Reclassification to keep with donor intent	-	-	-
Net Endowment activity for year	15,952	19,443	35,395
Endowment net assets, end of year	\$ -	\$ 1,881,326	\$ 1,881,326

### (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 without donor restrictions net assets. There were no deficiencies of this nature that were reported in without donor restrictions net assets as of June 30, 2019 and 2018.

### (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.

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.

## 7. ENDOWMENT FUNDS (CONT.)

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

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

## 8. 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.

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

<u>Years ended June 30</u>	
2020	\$ 370,320
2021	372,370
2022	374,120
2023	370,645
2024	371,945

## 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 8.

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

<u>Years ended June 30</u>	
2020	\$ 260,000
2021	270,000
2022	280,000
2023	285,000
2024	295,000
Thereafter	<u>2,335,000</u>
	<u>\$ 3,725,000</u>

## 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, 2019 and 2018) 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.

## 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, 2019 and 2018, the Foundation awarded scholarships and other program support in the amounts of \$104,997 and \$84,560 respectively to the College.

The College contributed salaries of the Foundation Director of \$38,500 and \$52,000 for the years ended June 30, 2019 and 2018, respectively.

The College paid rent to the Foundation for use of the student activity center in the amounts of \$371,770 and \$863,159 for the years ended June 30, 2019 and 2018, respectively.

## 12. NET ASSETS WITH DONOR RESTRICTIONS

	June 30,	
	2019	2018
Subject to expenditure for specific purpose:		
Scholarships	\$ 605,929	\$ 634,976
Student Activities Center	3,910	27,467
Unconditional promises to give, unavailable until payments are due	205,940	243,154
Projects	45,779	-
Subtotal	<u>861,558</u>	<u>905,597</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
Scholarships	388,762	224,613
Investment in perpetuity	1,843,372	1,656,713
Subtotal	<u>2,232,134</u>	<u>1,881,326</u>
Total net assets with donor restrictions	<u>\$ 3,093,692</u>	<u>\$ 2,786,923</u>

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

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, 2019 and 2018.

	June 30,	
	2019	2018
Satisfaction of specified purpose restrictions:		
Scholarship distributions	\$ 119,209	\$ 148,861
Student Activities Center	76,314	-
Project expense	25,856	-
Total	<u>\$ 221,379</u>	<u>\$ 148,861</u>

## 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, accounts receivable, 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.

### 13. LIQUIDITY AND AVAILABILITY (CONT.)

As of June 30, 2019 and 2018, 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:	2019	2018
Cash and cash equivalents	\$ 71,945	\$ 78,004
Restricted cash	88,756	91,045
Unconditional promises to give, net	205,940	243,154
Investments	<u>2,821,864</u>	<u>2,453,065</u>
Total financial assets	<u>3,188,505</u>	<u>2,865,268</u>
Less those unavailable for general expenditures within one year, due to:		
<u>Contractual or donor-imposed restrictions:</u>		
Donor restricted donations	(1,079,797)	(924,270)
Unconditional promises to give (long term)	(170,523)	(205,940)
<u>Not available due to nature of asset:</u>		
Investment in perpetuity (endowment)	<u>(1,843,372)</u>	<u>(1,656,713)</u>
Financial assets available to meet cash needs for general expenditures within one year of balance sheet date	<u>\$ 94,813</u>	<u>\$ 78,345</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. 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.

**DODGE CITY COMMUNITY COLLEGE FOUNDATION**  
**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**  
**RELATED TO THE AUDIT FOR THE**  
**YEAR ENDED JUNE 30, 2019**

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

We have audited the financial statements of the Dodge City Community College Foundation (Foundation) for the year ended June 30, 2019, and have issued our report thereon dated February 18, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. As described in Note 2, the Foundation changed their accounting policy related to the presentation of the financial statements in accordance with FASB Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities during the year ended June 30, 2019. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the collectability of the promises to give is based on management's understanding of the donor's intent. We evaluated the key factors and assumptions used to develop the estimate and reviewed supporting documentation to determine if the estimate was reasonable in relation to the financial statements taken as a whole. In addition, management's estimate of the liquidity of financial assets is based on analysis of restrictions on those assets and on when the financial assets can be used for general expenditure purposes.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosures of the Foundation Funds in Notes 5 and 6 to the financial statements report that the current fair value of the investments is more than the historic dollar value of donor-restricted contributions.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

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

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### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements when related to the cash-basis internal books. The adjustments to the accrual basis financial statements are numerous and are material to the financial statements. Management does not post these accrual basis adjustments to the internal books because the internal books are maintained on the cash-basis of accounting.

### **Disagreements with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated February 18, 2020.

### **Management Consultations with Other Independent Accountants**

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

### **Other Audit Findings or Issues**

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

### **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, during the Fiscal year ended June 30, 2019, the Foundation adopted new accounting guidance, FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The guidance has been applied retrospectively to June 30, 2018. Our opinion is not modified with respect to this matter.

## **Communication of Significant Deficiencies and Other Control Deficiencies**

In planning and performing our audit of the financial statements of the Foundation as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **CURRENT YEAR POINTS**

#### **Bank Reconciliation Review**

Condition: Currently there is not an independent person that reviews the bank statements and reconciliations after all the transactions and journal entries have been posted.

Part of a good system of internal controls is that there is a separation of duties between individuals who:

Reconcile bank accounts,  
Maintain the cash receipts journal, and  
Post journal entries to the general ledger.

Given the limited staff available, separation of all of these duties is not always possible, nor would it be efficient if possible. To limit the effect of the lack of separation of duties and the related risk, in this area, there should be compensating controls in place. One such control is to have an independent, knowledgeable person (i.e. College CFO, Board member, etc.) review the bank statements and associated reconciliations

Recommendation: We recommend that an independent, knowledgeable person review the bank statements and reconciliations after all transactions and journal entries have been posted.

### **SUMMARY**

The matters discussed herein were considered during our examination of the financial statements as of June 30, 2019, and they do not modify the opinion expressed in our auditor's report dated February 18, 2020, on such financial statements.

If you have any questions regarding comments included in this letter, please contact Scot Loyd or Christina Henson at (620) 662-3358.



Board of Directors  
Dodge City Community College Foundation  
February 18, 2020  
Page 4

We greatly appreciate the assistance and helpfulness provided by the Foundation during the recent audit. It is a pleasure working with individuals who respond to our questions and requests in a quick and efficient manner. If you have any questions or need us to stop by, please give us a call.

This communication is intended solely for the information and use of the Board of Directors, management of the Dodge City Community College Foundation, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Swindoll, Janzen, Hawk & Loyd, LLC*

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SWINDOLL, JANZEN, HAWK & LOYD, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
HUTCHINSON, KS

February 18, 2020