DODGE CITY COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

SWINDOLL
JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

DODGE CITY COMMUNITY COLLEGE FOUNDATION

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Dodge City Community College Foundation (Foundation), a nonprofit organization, which comprise the Statements of Financial Position as of June 30, 2020 and 2019, and the related Statements of Activities, Statements of Functional Expenses and Statements 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in fiscal year ended 2020, the Foundation adopted the following new accounting guidance:

FASB Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The guidance has been applied retrospectively to June 30, 2019. Our opinion is not modified with respect to this matter.

FASB Accounting Standards (ASU) 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance has been applied on a modified prospective basis to June 30, 2020. Our opinion is not modified with respect to this matter.

FASB Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The guidance has been applied retrospectively to June 30, 2019. Our opinion is not modified with respect to this matter.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll, Janzen, Hawk & Loyd, LLC
Hutchinson, KS
November 20, 2020

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 139,954	$ 71,945
Restricted cash	161,733	88,756
Investments	2,985,559	2,821,864
Unconditional promises to give	174,513	205,940
Deferred bond issuance costs, net	113,201	124,548
Buildings and improvements	8,160,298	8,160,298
Accumulated depreciation	(758,728)	(554,721)
TOTAL ASSETS	$ 10,976,530	$ 10,918,630
LIABILITIES AND NET ASSETS		
Liabilities		
Interest payable	48,800	52,377
Bond premium	49,273	54,201
Promissory note payable	47,628	53,991
Industrial revenue bond payable	3,465,000	3,725,000
Total liabilities	3,610,701	3,885,569
Net Assets		
Without donor restrictions	4,031,735	3,939,369
With donor restrictions	3,334,094	3,093,692
Total net assets	7,365,829	7,033,061
TOTAL LIABILITIES AND NET ASSETS	$ 10,976,530	$ 10,918,630

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

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

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

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	$ 8,646	$ 168,297	$ 176,943
Grants	-	259,318	259,318
Special events, net of direct expense	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)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	672,875	306,769	979,644
EXPENSES			
Program Services	575,035	-	575,035
Supporting Services			
Management and general	18,180	-	18,180
Fundraising	11,165	-	11,165
Total supporting services	29,345	-	29,345
Total expenses	604,380	-	604,380
INCREASE IN NET ASSETS	68,495	306,769	375,264
NET ASSETS AT BEGINNING OF YEAR	3,870,874	2,786,923	6,657,797
NET ASSETS AT END OF YEAR	$ 3,939,369	$ 3,093,692	$ 7,033,061

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020 and 2019

	Program Services		Supporting Services: Management and General		Supporting Services: Fundraising		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Scholarships	$ 66,940	$ 104,997	$ -	$ -	$ -	$ -	$ 66,940	$ 104,997
Salaries	13,447	12,705	15,485	14,630	11,818	11,165	40,750	38,500
Marketing and advertising	4,276	3,944	2,854	2,312	-	-	7,130	6,256
Supplies and office expenses	14,933	10,878	1,650	1,071	-	-	16,583	11,949
Project expense	206,499	77,413	-	-	-	-	206,499	77,413
Interest expense	116,889	124,601	-	-	-	-	116,889	124,601
Fine arts expense	1,106	25,856	-	-	-	-	1,106	25,856
Depreciation expense	204,007	204,007	-	-	-	-	204,007	204,007
Grant expenses	27,000	9,718	-	-	-	-	27,000	9,718
Bank fees	-	-	232	167	-	-	232	167
Other	395	-	-	-	-	-	395	-
Total Functional Expenses	$ 655,492	$ 575,035	$ 20,221	$ 18,180	$ 11,818	$ 11,165	$ 687,531	$ 604,380

DODGE CITY COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	$ 393,098	$ 352,015
Cash received from rent	370,320	371,770
Cash received from interest and dividends	7	5
Cash received from special events	151,573	119,265
Cash paid for special events	(62,761)	(48,189)
Cash paid to DCCC for scholarships and other academic support	(66,940)	(104,997)
Cash paid to DCCC for salary reimbursements	(40,750)	(38,500)
Cash disbursed for other program expenses	(254,209)	(127,808)
Cash paid for interest	(114,047)	(120,493)
Cash disbursed for management and general	(4,736)	(3,550)
Net cash from operating activities	371,555	399,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(839,019)	(2,094,561)
Proceeds from sale of investments	873,137	1,825,601
Net cash from investing activities	34,118	(268,960)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on industrial revenue bond principal	(260,000)	(255,000)
Payment on promissory note principal	(6,363)	(6,059)
Royalties restricted for scholarships	426	693
Contributions restricted to endowment	1,250	180,587
Net cash from financing activities	(264,687)	(79,779)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	140,986	50,779
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE BEGINNING OF YEAR	160,701	109,922
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT THE END OF YEAR	$ 301,687	$ 160,701
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents	$ 139,954	$ 71,945
Restricted cash	161,733	88,756
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	$ 301,687	$ 160,701

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

1. ORGANIZATION AND PURPOSE

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting and Presentation

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

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

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

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

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

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

Net investment returns are reported as follows:

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

(b) Cash and Cash Equivalents

The financial statements include a Statement of Cash Flows showing cash and cash equivalents from operating, investing and financing activities. The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be "cash equivalents." This includes money market accounts, 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) Restricted Cash

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

(d) Investments

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

(e) Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. 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.

(f) Contributions and Promises to Give

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Foundation adopted FASB ASC topic 740, Income Taxes related to uncertain tax positions, which prescribes a recognition threshold and measurement attributable for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Foundation did not have any material uncertain tax positions as of June 30, 2020 and 2019. Tax years with open statutes of limitations are 2016 and forward.

(h) Revenue and Revenue Recognition

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

(i) Restricted and Unrestricted Revenue

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

(j) Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. There were no changes to the net asset balances.

(k) Use of Estimates

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

(l) Bond Issuance costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(m) Property and equipment

The Foundation capitalizes all expenditures for property and equipment in excess of $1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings and improvements are depreciated over a useful life of 40 years.

(n) Change in Accounting Principle

FASB issued Accounting Standards Update (ASU) ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This update modifies the guidance used to recognize revenue from contracts with customers for transfers of goods and services and transfers of nonfinancial assets, unless those contracts are within the scope of other guidance. The guidance also requires new qualitative and quantitative disclosures about contract balances and performance obligations as well as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The majority of the Foundation's contractual revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Foundation's evaluation process and review of its contracts with customers, the timing and amount recognized previously is consistent with how revenue is recognized under the new standards. No changes were required to be made to previously reported revenues as a result of the adoption. The ASU has been applied retrospectively to all periods presented, which had no effect to the change in net assets and there were no changes to the net asset balances as a result of applying this standard.

FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU intends to clarify and improve current accounting guidance to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The ASU is effective for the Foundation for annual reporting periods beginning after December 15, 2018 for contributions received and after December 15, 2019 for contributions made, and interim periods beginning after December 31, 2019 with early adoption permitted. The ASU has been adopted as of July 1, 2019 and applied on a modified prospective basis. The adoption of ASU 2018-08 did not have a material impact on previously reported contributions received and contributions made and no effect on the change in net assets. No changes to net asset balances were required as a result of applying this standard.

FASB issued Accounting Standards Update (ASU) 2016-18, statement of cash flows (Topic 230): Restricted Cash. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. The ASU has been applied retrospectively to all periods presented, which had no effect to the change in net assets and there were no changes to the net asset balances or statements of cash flows as a result of applying this standard.

(o) New Accounting Pronouncements

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

3. CONCENTRATION OF CREDIT RISK

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

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

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

4. 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, 2020 and 2019, 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.

	2020	2019
Due in less than one year	$ 34,833	$ 35,417
Due in one to five years	64,500	94,500
Due in more than five years	102,500	107,500
Total unconditional promises to give	201,833	237,417
Less: Discounts to net present value	(27,320)	(31,477)
Net unconditional promises to give	$ 174,513	$ 205,940

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, 2020:

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

5. INVESTMENTS (CONT.)

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
Money Market	$ -	$ 120,409	$ 120,409
Exchange Traded Funds	-	258,037	258,037
Mutual Funds	-	754,767	754,767
Asset and Mortgage Backed Securities	-	550,749	550,749
Common Stock	-	618,778	618,778
Options	-	519,124	519,124
Total Investments	$ -	$ 2,821,864	$ 2,821,864

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).

6. FAIR VALUE MEASUREMENTS (CONT.)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Certificates of deposit are valued at cost or net realizable value, which approximates fair value, due to the short-term maturity of the financial instrument. These are presented as Level 1 measurements on the table below.Money Market Funds are valued at the closing price reported by the fund sponsor from an actively traded exchange. These are presented as Level 1 measurements on the table below.

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

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

The following table sets forth by level within the fair value hierarchy, the Foundation's investments at fair value at June 30, 2020, and 2019.

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Certificates of deposits	$ 65,561	$ -	$ -	$ 65,561
Money Market	99,559	-	-	99,559
Exchange Traded Funds	646,471	-	-	646,471
Mutual Funds	1,553,031	-	-	1,553,031
Asset and Mortgage Backed Securities	-	53,600	-	53,600
Common Stock	567,337	-	-	567,337
Total investments valued at fair value	$ 2,931,959	$ 53,600	$ -	$ 2,985,559

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Money Market	$ 120,409	$ -	$ -	$ 120,409
Exchange Traded Funds	258,037	-	-	258,037
Mutual Funds	754,767	-	-	754,767
Asset and Mortgage Backed Securities	-	550,749	-	550,749
Common Stock	618,778	-	-	618,778
Options	519,124	-	-	519,124
Total investments valued at fair value	$ 2,271,115	$ 550,749	$ -	$ 2,821,864

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

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 endowed.

	June 30,	
	2020	2019
Without donor restrictions	$ -	$ -
With donor restrictions	2,378,283	2,232,134
Total funds	$ 2,378,283	$ 2,232,134

7. ENDOWMENT FUNDS (CONT.)

(b) Changes in Endowment Net Assets for the Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 2,232,134	$ 2,232,134
Investment return:			
Royalty	-	426	426
Investment income	-	74,618	74,618
Net appreciation (realized & unrealized)	-	117,155	117,155
Total investment return	-	192,199	192,199
Contributions/additions	-	33,752	33,752
Released from restrictions	79,802	(79,802)	-
Appropriation of endowment assets for expenditure	(79,802)	-	(79,802)
Subtotal	-	(46,050)	(46,050)
Net Endowment activity for year	-	146,149	146,149
Endowment net assets, end of year	$ -	$ 2,378,283	$ 2,378,283

	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	$ -	$ 2,232,134	$ 2,232,134

7. ENDOWMENT FUNDS (CONT.)

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies would result from unfavorable market fluctuations that occurred during the year and through continued appropriation for certain programs that was deemed prudent by the Foundation. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets. There were no deficiencies of this nature that were reported in net assets without donor restrictions as of June 30, 2020 and 2019.

(d) Return Objectives, Risk Parameters and Strategies

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

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

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

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

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.

8. OPERATING SUBLEASE (CONT.)

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

Years ended June 30		
2021	$	372,370
2022		374,120
2023		370,645
2024		371,945
2025		372,945

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:

Years ended June 30		
2021	$	270,000
2022		280,000
2023		285,000
2024		295,000
2025		305,000
Thereafter		2,030,000
	$	3,465,000

10. PROMISSORY NOTE PAYABLE

The Foundation signed an unsecured promissory note on April 23, 2018, to purchase materials and labor for an indoor track at the Student Activity Center. This is a variable rate note (6.20% at June 30, 2020 and 2019) 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, 2020 and 2019, the Foundation awarded scholarships and other program support in the amounts of $66,940 and $104,997 respectively to the College.

The College contributed salaries of the Foundation Director of $40,750 and $38,500 for the years ended June 30, 2020 and 2019, respectively.

The College paid rent to the Foundation for use of the student activity center in the amounts of $370,320 and $371,770 for the years ended June 30, 2020 and 2019, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

	June 30, 2020	June 30, 2019
Subject to expenditure for specific purpose:		
Scholarships	$ 694,756	$ 605,929
Student Activities Center	30,134	3,910
Unconditional promises to give, unavailable until payments are due	174,513	205,940
Projects	56,408	45,779
Subtotal	955,811	861,558
Endowments:		
Subject to endowment spending policy and appropriation:		
Scholarships	414,155	388,762
Investment in perpetuity	1,964,128	1,843,372
Subtotal	2,378,283	2,232,134
Total net assets with donor restrictions	$ 3,334,094	$ 3,093,692

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

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, 2020 and 2019.

	June 30, 2020	June 30, 2019
Satisfaction of specified purpose restrictions:		
Scholarship distributions	$ 153,278	$ 119,209
Student Activities Center	95,815	76,314
Project expense	110,826	25,856
Total	$ 359,919	$ 221,379

13. LIQUIDITY AND AVAILABILTY

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

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

As of June 30, 2020 and 2019, 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:

13. LIQUIDITY AND AVAILABILTY (CONT.)

Financial assets at year-end:	2020	2019
Cash and cash equivalents	$ 139,954	$ 71,945
Restricted cash	161,733	88,756
Unconditional promises to give, net	174,513	205,940
Investments	2,985,559	2,821,864
Total financial assets	3,461,759	3,188,505
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor restricted donations	(1,226,761)	(1,079,797)
Unconditional promises to give (long term)	(143,205)	(170,523)
Not available due to nature of asset:		
Investment in perpetuity (endowment)	(1,964,128)	(1,843,372)
Financial assets available to meet cash needs for general expenditures within one year of balance sheet date	$ 127,665	$ 94,813

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. UNCERTAINTY

In recent months, the coronavirus (COVID-19) outbreak in the United States has resulted in the temporary closure of colleges and operating hours for our offices. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Foundation as of the date of this report, management believes that a material impact on the Foundation's financial position and results of future operations is reasonably possible.

15. SUBSEQUENT EVENTS

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