

Financial Statements and Report of Independent Certified Public Accountants

Dallas College Foundation, Inc.

August 31, 2021 and 2020

Dallas College Foundation, Inc.
(A Texas Nonprofit Organization)
Years Ended August 31, 2021 and 2020
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McConnell Jones

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Dallas County Community College District Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Dallas College Foundation, Inc. (the "Foundation"), a Texas nonprofit Foundation, which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of 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.

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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 August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McConnell & Jones

Houston, Texas
December 7, 2021

Dallas College Foundation, Inc.
(A Texas Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION

August 31,

| | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,689,106 | \$ 1,510,958 |
| Accrued interest and dividends receivable | 337,471 | 286,187 |
| Pledges receivable, net | 1,424,276 | 162,338 |
| Other assets | 6,700 | 6,700 |
| Investments | 76,605,521 | 64,351,852 |
| Total assets | \$ 80,063,074 | \$ 66,318,035 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Due to affiliate | \$ 1,100,000 | \$ 1,685,460 |
| Accounts payable | 221,027 | 113,548 |
| Total liabilities | 1,321,027 | 1,799,008 |
| Net assets: | | |
| Without Donor Restrictions | 16,893,360 | 7,243,887 |
| With Donor Restrictions: | | |
| Purpose restrictions | 26,596,005 | 23,446,042 |
| Perpetual in nature | 35,252,682 | 33,829,098 |
| | 61,848,687 | 57,275,140 |
| Total net assets | 78,742,047 | 64,519,027 |
| Total liabilities and net assets | \$ 80,063,074 | \$ 66,318,035 |

The accompanying notes are an integral part of these statements.

Dallas College Foundation, Inc.
(A Texas Nonprofit Organization)

STATEMENT ACTIVITIES

Year ended August 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| REVENUES | | | |
| Contributions | \$ 67,676 | \$ 5,954,008 | \$ 6,021,684 |
| Interest and dividend income | 941,862 | 906,518 | 1,848,380 |
| Contributed salaries | 1,143,082 | - | 1,143,082 |
| Net realized and unrealized gains on investments, net | 9,313,722 | 2,449,440 | 11,763,162 |
| Net assets released from restrictions | 4,603,917 | (4,603,917) | - |
| | 16,070,259 | 4,706,049 | 20,776,308 |
| EXPENSES | | | |
| Program services: | | | |
| Scholarship awards | 1,533,078 | - | 1,533,078 |
| Grants | 3,471,137 | - | 3,471,137 |
| | 5,004,215 | - | 5,004,215 |
| Non-program services: | | | |
| Management and general | 1,020,338 | - | 1,020,338 |
| Fundraising | 528,735 | - | 528,735 |
| | 1,549,073 | - | 1,549,073 |
| | 6,553,288 | - | 6,553,288 |
| Transfers between funds, based on donor instructions | 132,502 | (132,502) | - |
| Change in net assets | 9,649,473 | 4,573,547 | 14,223,020 |
| Net assets, beginning of year | 7,243,887 | 57,275,140 | 64,519,027 |
| Net assets, end of year | \$ 16,893,360 | \$ 61,848,687 | \$ 78,742,047 |

The accompanying notes are an integral part of these statements.

Dallas College Foundation, Inc.
(A Texas Nonprofit Organization)

STATEMENT OF ACTIVITIES

Year ended August 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| REVENUES | | | |
| Contributions | \$ 41,437 | \$ 3,343,977 | \$ 3,385,414 |
| Interest and dividend income | 940,286 | 1,148,500 | 2,088,786 |
| Contributed salaries | 1,362,747 | - | 1,362,747 |
| Net realized and unrealized gains on investments, net | 2,745,644 | 3,732,983 | 6,478,627 |
| Net assets released from restrictions | 4,830,942 | (4,830,942) | - |
| Total revenues | <u>9,921,056</u> | <u>3,394,518</u> | <u>13,315,574</u> |
| EXPENSES | | | |
| Program services: | | | |
| Scholarship awards | 1,918,414 | - | 1,918,414 |
| Grants | 2,982,886 | - | 2,982,886 |
| Total program services | <u>4,901,300</u> | <u>-</u> | <u>4,901,300</u> |
| Non-program services: | | | |
| Management and general | 945,010 | - | 945,010 |
| Fundraising | 762,843 | - | 762,843 |
| Total non-program services | <u>1,707,853</u> | <u>-</u> | <u>1,707,853</u> |
| Total expenses | <u>6,609,153</u> | <u>-</u> | <u>6,609,153</u> |
| Transfers between funds, based on donor instructions | <u>(555,329)</u> | <u>555,329</u> | <u>-</u> |
| Change in net assets | 2,756,574 | 3,949,847 | 6,706,421 |
| Net assets, beginning of year | <u>4,487,313</u> | <u>53,325,293</u> | <u>57,812,606</u> |
| Net assets, end of year | <u>\$ 7,243,887</u> | <u>\$ 57,275,140</u> | <u>\$ 64,519,027</u> |

The accompanying notes are an integral part of these statements.

Dallas College Foundation, Inc.
(A Texas Nonprofit Organization)

STATEMENT OF CASH FLOWS

Year ended August 31,

| | 2021 | 2020 |
|--|---------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 14,223,020 | \$ 6,706,421 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Contributions restricted for long-term purposes | (34,405) | (78,264) |
| Net realized and unrealized gains on investments | (11,763,161) | (6,478,628) |
| Non-cash contributions | (32,583) | - |
| Changes in operating assets and liabilities: | | |
| Accrued interest and dividends receivable | (51,284) | (68,556) |
| Contributions receivable | (1,261,938) | 97,694 |
| Prepaid expense | - | 3,203 |
| Due to affiliate | (585,460) | 1,558,756 |
| Accounts payable | 107,479 | 48,097 |
| Net cash provided by operating activities | 601,668 | 1,788,723 |
| Cash flows from investing activities: | | |
| Proceeds from investment sales | 26,476,079 | 22,927,369 |
| Purchases of investments | (26,934,004) | (25,327,307) |
| Net cash used in investing activities | (457,925) | (2,399,938) |
| Cash flows from financing activities: | | |
| Contributions restricted for endowments | 34,405 | 78,264 |
| Net increase (decrease) in cash and cash equivalents | 178,148 | (532,951) |
| Cash and cash equivalents, beginning of year | 1,510,958 | 2,043,909 |
| Cash and cash equivalents, end of year | \$ 1,689,106 | \$ 1,510,958 |

The accompanying notes are an integral part of these statements.

Dallas College Foundation, Inc.
(A Texas Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31,

| | 2021 | | | |
|-----------------------------------|-----------------------------------|--------------------|-----------------------------|--------------|
| | Management and General | Development | Program Services | Total |
| Scholarship awards | \$ - | \$ - | 1,533,078 | \$ 1,533,078 |
| Grants | - | - | 3,471,137 | 3,471,137 |
| Contributed salaries | 619,720 | 523,363 | - | 1,143,083 |
| Supplies and postage | 16,231 | - | - | 16,231 |
| Marketing | 16,299 | - | - | 16,299 |
| Subscriptions and publications | 1,388 | - | - | 1,388 |
| Special events and board meetings | 6,671 | - | - | 6,671 |
| Professional services | 182,738 | - | - | 182,738 |
| Insurance | 9,061 | - | - | 9,061 |
| Technology | 151,189 | - | - | 151,189 |
| Miscellaneous | 17,041 | - | - | 17,041 |
| Development | - | 5,372 | - | 5,372 |
| Total | \$ 1,020,338 | \$ 528,735 | \$ 5,004,215 | \$ 6,553,288 |

| | 2020 | | | |
|-----------------------------------|-----------------------------------|--------------------|-----------------------------|--------------|
| | Management and General | Development | Program Services | Total |
| Scholarship awards | \$ - | \$ - | \$ 1,918,414 | \$ 1,918,414 |
| Grants | - | - | 2,982,886 | 2,982,886 |
| Contributed salaries | 618,988 | 743,759 | - | 1,362,747 |
| Supplies and postage | 21,861 | - | - | 21,861 |
| Marketing | 9,027 | - | - | 9,027 |
| Special events and board meetings | 47,128 | - | - | 47,128 |
| Professional services | 114,773 | - | - | 114,773 |
| Insurance | 4,463 | - | - | 4,463 |
| Technology | 117,255 | - | - | 117,255 |
| Miscellaneous | 11,298 | - | - | 11,298 |
| Development | - | 19,084 | - | 19,084 |
| Travel | 217 | - | - | 217 |
| Total | \$ 945,010 | \$ 762,843 | \$ 4,901,300 | \$ 6,609,153 |

The accompanying notes are an integral part of these statements.

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Dallas College Foundation, Inc. (the “Foundation”) is a nonprofit organization established in 1973. The Foundation’s purpose is to provide financial support such as scholarships and grants to the Dallas College (the “College”), its students, faculty, and staff, and the R. Jan LeCroy Center for Educational Telecommunications.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.

The Foundation reports information regarding its financial position and activities according to two classes of net assets:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be used for any operating purpose of the Foundation.
- With Donor Restrictions – Net assets that are subject to donor-imposed stipulations that require the passage of time and/or the occurrence of a specific event, for them to be used. Some restricted net assets are required by donors to be maintained in perpetuity, with only the revenue from investments to be used for stated purposes

Cash and Cash Equivalents

Cash and cash equivalents include all cash in banks and investments that are available for current use with maturity dates of less than three months from the date of acquisition.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fixed income securities and mutual funds are measured at net asset value (NAV). Realized and unrealized gains and losses are reported in the statements of activities. Investment managers administer the Foundation’s portfolio in a manner consistent with the investment goals and policies established by the Foundation’s Board of Directors.

Revenue Recognition

The Foundation records contributions received as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions are recognized as revenues in the period unconditional promises to give are received by the Foundation. 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

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

recorded at their estimated fair value. Contributions to be received after one year are discounted using the risk-free rate as of the date the unconditional promise to give was received by the Foundation. Amortization of discounts is recorded as additional contributions in accordance with donor imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity. Amounts deemed by management to be uncollectible are charged to expenses. Recoveries on receivables previously charged off are credited to expenses. Management believes that all outstanding pledges are collectible and no allowance is necessary as of August 31, 2021 and 2020.

Interest income is recognized on the accrual basis. Dividends are recorded on the ex-dividend date.

Federal Income Taxes

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) of 1986, as amended, as an organization described in Section 501(c)(3) of the Code.

Thus, no provision for income taxes is included in the accompanying combined financial statements. The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. The Foundation does not believe there is any uncertainty with respect to its tax position which would result in a material change to the financial statements.

The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal authorities for years prior to August 31, 2017. For state authorities, the statute of limitations is generally three or four years; however, the statute of limitations will remain open for any state returns not filed.

On December 22, 2017, the United States enacted tax reform legislation commonly known as the Tax Cuts and Jobs Act of 2017 (the "Act"), resulting in significant modifications to existing tax law. There were no material effects on the Foundation's financial statements as a result of the Act. Foundation management is evaluating the ongoing impact of the Act on the Foundation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE A - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

are (a) present values of contributions receivable expected to be received beyond one year, and (b) the valuation of the investments at fair value.

Functional Expenses

The Foundation's expenses are summarized and categorized based upon their functional classification as either program services or non-program services (development and management and general). Specific expenses that are readily identifiable to a single function are charged directly to that function. Certain categories of expenses are attributable to more than one function and require allocation on a reasonable basis that is consistently applied. Salaries are allocated based on the estimated percentage of time spent by each employee in the applicable functional area. Professional services includes expenses for audit, form 990 preparation, investment portfolio management and website services.

NOTE B - INVESTMENTS

Investments are composed of the following as of August 31:

| | 2021 | | 2020 | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair value | Cost | Fair value |
| Fixed income securities | \$ 2,630,468 | \$ 5,266,058 | \$ 2,640,331 | \$ 5,286,960 |
| Equity investments | 3,114,035 | 5,774,730 | 4,360,493 | 6,478,659 |
| Mutual funds | 46,621,393 | 59,039,129 | 38,967,242 | 44,943,732 |
| Exchange traded funds | 375,824 | 376,125 | - | - |
| Certificates of Deposit | - | - | 6,944,000 | 6,946,903 |
| U.S. Treasury Notes | 6,149,099 | 6,149,479 | 695,659 | 695,598 |
| Total Investments | \$ 58,890,819 | \$ 76,605,521 | \$ 53,607,725 | \$ 64,351,852 |

Investment securities are exposed to various risks, such as interest rate, custodial and market credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term, and that such changes could significantly affect the amounts reported in the financial statements. Certificates of Deposit and U.S. Treasury Notes are classified as investments due to their maturity dates at the time of purchase. The maturity dates exceed the three month period that determines how cash equivalents are defined.

For the years ended August 31, 2021 and 2020, the components of investment earnings are:

| | 2021 | 2020 |
|---|----------------------|---------------------|
| Interest and dividend income | \$ 1,848,380 | \$ 2,088,786 |
| Net gain on investments carried at fair value | 11,763,162 | 6,478,627 |
| Total return on investments | \$ 13,611,542 | \$ 8,567,413 |

Dallas College Foundation, Inc.
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE C - PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give:

| | August 31, | |
|---|-------------------|-------------|
| | 2021 | 2020 |
| Pledges Receivable - Less than one year | \$ 809,983 | \$ 117,666 |
| Pledges Receivable - More than one year | 635,240 | 53,334 |
| Total Pledges Receivable | 1,445,223 | 171,000 |
| Less unamortized discounts | (20,947) | (8,662) |
| Total Pledges Receivable (net) | \$ 1,424,276 | \$ 162,338 |

NOTE D - DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes:

| | August 31, | |
|--|-------------------|---------------|
| | 2021 | 2020 |
| Student scholarships for tuition and books | \$ 44,735,222 | \$ 42,740,661 |
| Professional development, student related activities, and program support | 17,113,465 | 14,534,479 |
| Total donor restricted net assets | \$ 61,848,687 | \$ 57,275,140 |

NOTE E - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consisting of funds with donor restrictions were due mainly to satisfaction of purpose restrictions. Net assets released from restrictions amounted to \$4,603,917 and \$4,830,942 for the years ended August 31, 2021 and 2020, respectively.

NOTE F - CONCENTRATION OF CREDIT RISK

The Foundation maintains deposits in financial institutions. At times these deposits exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Foundation did not experience any losses in such accounts and believes it is not exposed to any significant credit risk in this regard.

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE G - RELATED PARTY TRANSACTIONS AND CONTRIBUTED SERVICES

The Foundation's payments to the College for scholarships and grants totaled \$1,281,295 and \$1,417,736 for fiscal years 2021 and 2020, respectively. At August 31, 2021 and 2020, the Foundation recorded a total of \$1,100,000 and \$1,685,460, respectively, for scholarships and grants payable to the College.

The salaries of Foundation employees have been donated by the College. The estimated fair value of these contributed services is \$1,143,082 and \$1,362,747 for fiscal years 2021 and 2020, respectively, and has been included in contributed salaries in revenue and management and general expenses in the accompanying statements of activities. The College also provided office space and equipment at no cost to the Foundation. Because the Foundation does not have a clearly measurable basis to estimate the value of these contributed facilities and equipment, no amounts have been reflected in the Foundation's financial statements.

NOTE H - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements, provides a framework for measuring fair value. FASB ASC Topic 820 also establishes a fair value hierarchy that distinguishes between inputs based on market data from independent sources (observable inputs) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs).

The fair value hierarchy in FASB ASC Topic 820 prioritizes fair value measurements into three levels based on the nature of the inputs. The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1 - Investments are valued based on quoted prices in active markets for identical assets that are accessible at the measurement date. An active market is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Investments are valued based on inputs, in the absence of actively quoted market prices, which are observable for the asset, either directly or indirectly. Level 2 inputs include: (a) quoted prices for similar assets in active markets, (b) quoted prices for identical or similar assets in markets that are not active, (c) inputs other than quoted prices that are observable for the asset such as interest rates and yield curves observable at commonly quoted intervals, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Investments are valued based on unobservable inputs for asset. Unobservable inputs are used to the extent observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.

The asset's 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.

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE H - FAIR VALUE MEASUREMENTS - Continued

Following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of:

| August 31, 2021 | Fair Value Measurement Using Input Considered as: | | | |
|-----------------------------|---|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity investments | \$ 5,774,730 | \$ - | \$ - | \$ 5,774,730 |
| U.S. Treasury Bills | - | 6,149,478 | - | 6,149,478 |
| | <u>\$ 5,774,730</u> | <u>\$ 6,149,478</u> | <u>\$ -</u> | <u>\$ 11,924,208</u> |
| Investments measured at NAV | \$ - | \$ - | \$ - | \$ 64,681,313 |
| Investments at fair value | <u>\$ 5,774,730</u> | <u>\$ 6,149,478</u> | <u>\$ -</u> | <u>\$ 76,605,521</u> |

Following is a summary of the Foundation's investments by level, within the fair value hierarchy, as of:

| August 31, 2020 | Fair Value Measurement Using Input Considered as: | | | |
|-----------------------------|---|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity investments | \$ 6,478,659 | \$ - | \$ - | \$ 6,478,659 |
| Certificates of Deposit | - | 6,946,903 | - | 6,946,903 |
| U.S. Treasury Bills | - | 695,598 | - | 695,598 |
| | <u>\$ 6,478,659</u> | <u>\$ 7,642,501</u> | <u>\$ -</u> | <u>\$ 14,121,160</u> |
| Investments measured at NAV | \$ - | \$ - | \$ - | \$ 50,230,692 |
| Investments at fair value | <u>\$ 6,478,659</u> | <u>\$ 7,642,501</u> | <u>\$ -</u> | <u>\$ 64,351,852</u> |

Change in valuation techniques may result in transfers in or out of an investment's assigned level within the hierarchy. The investment Portfolio recognizes transfers between fair value hierarchy levels at approximate date of the event or change in circumstances that cause the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

NOTE I - ENDOWMENTS

The Foundation's endowment consists of several individual funds established for a variety of purposes. These individual funds consist of both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE I - ENDOWMENTS - Continued

In September 2007, the State of Texas enacted the Uniform Prudent Management of Investment Funds Act (“UPMIFA”). UPMIFA provides standards and guidelines for the management, investment, and expenditure of charitable funds and for endowment spending by institutions organized and operated exclusively for a charitable purpose.

Interpretation of Relevant Law

The management of the Foundation has interpreted the UPMIFA 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, the Foundation classifies as net assets with donor restrictions due to endowment funds (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (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. Any remaining portion of the donor-restricted endowment fund that is not classified in endowed donor-restricted net assets is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation 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 Foundation 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 Foundation.
7. The investment policies of the Foundation.

Investment Return Objectives and Risk Parameters

The Foundation board has adopted investment and spending policies for endowed assets that attempt to preserve the real (inflation-adjusted) purchasing power of the trust assets, to provide an adequate level of income to meet the original intent of the Foundation’s benefactors and to maximize the total rate of return earned by the trust without assuming an unreasonable degree of risk. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor specified period(s) as well as board designated funds.

Strategies Employed for Achieving Objectives

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

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE I - ENDOWMENTS - Continued

Spending Policy

The Foundation will make earnings available each year for use by endowment supported funds. The available funds will be up to 5% of the three year average of the aggregate investment portfolio market value at December 31st of the year preceding the disbursement of the funds. The spending limit will not exceed 5% of the December 31st market value. An amount in excess of the annual spending limit will be permitted for programs and endowments where donors have determined a need for a higher level of spending.

Endowment Net Asset Composition by Type of Fund as of August 31, 2021:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|---------------|
| Donor restricted endowment funds | \$ - | \$ 52,785,865 | \$ 52,785,865 |
| Endowment net assets, beginning of year | \$ - | \$ 50,463,467 | \$ 50,463,467 |
| Contributions | - | 77,491 | 77,491 |
| Investment income: | | | |
| Dividends and interest | - | 884,314 | 884,314 |
| Net realized and unrealized gains/losses | - | 2,403,688 | 2,403,688 |
| Net transfers | - | (701,783) | (701,783) |
| Amount appropriated for expenditures | - | (341,312) | (341,312) |
| Endowment net assets, end of year | \$ - | \$ 52,785,865 | \$ 52,785,865 |

Endowment Net Asset Composition by Type of Fund as of August 31, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|---------------|
| Donor restricted endowment funds | \$ - | \$ 50,463,467 | \$ 50,463,467 |
| Endowment net assets, beginning of year | \$ - | \$ 46,050,987 | \$ 46,050,987 |
| Contributions | - | 209,865 | 209,865 |
| Investment income: | | | |
| Dividends and interest | - | 1,144,798 | 1,144,798 |
| Net realized and unrealized gains/losses | - | 3,730,256 | 3,730,256 |
| Net transfers | - | (374,468) | (374,468) |
| Amount appropriated for expenditures | - | (297,971) | (297,971) |
| Endowment net assets, end of year | \$ - | \$ 50,463,467 | \$ 50,463,467 |

Dallas College Foundation, Inc.

NOTES TO THE FINANCIAL STATEMENTS

August 31, 2021 and 2020

NOTE J - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation structures its financial assets to be available when its general expenditures and other obligations are due. Financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year of August 31, 2021 and 2020 are comprised of the following:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|---------------------|
| Cash and cash equivalents | \$ 1,689,106 | \$ 1,510,958 |
| Pledges receivable within one year | 809,983 | 117,666 |
| Investments | <u>76,605,521</u> | <u>64,351,852</u> |
| Total financial assets available | 79,104,610 | 65,980,476 |
| Less net assets held to meet donor-imposed restrictions | <u>61,848,687</u> | <u>57,275,140</u> |
| Financial assets available for general expenditure within one year | <u>\$ 17,255,923</u> | <u>\$ 8,705,336</u> |

Expenditures, with donor restrictions, are supported with current and accumulated donor restricted contributions and endowed investment earnings. Sufficient reserves are provided by placing Foundation financial assets in excess of daily requirements in various short-term investments such as certificates of deposit and treasury instruments.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 7, 2021, the date financial statements were available to be issued.