

**Des Moines Area Community  
College Foundation  
Ankeny, Iowa**

**FINANCIAL REPORT**

**June 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Des Moines Area Community College Foundation  
Ankeny, Iowa

We have audited the accompanying financial statements of Des Moines Area Community College Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Des Moines Area Community College Foundation as of June 30, 2016 and 2015, 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.



**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
October 22, 2016

**Des Moines Area Community College Foundation  
STATEMENTS OF FINANCIAL POSITION**

	June 30	
	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,252,805	\$ 1,257,904
Investments at fair value	11,524,352	9,738,598
Accrued interest and other receivables	9,921	9,272
Contributions receivable	1,419,964	88,546
Prepaid expenses	43,750	24,500
Property, net of accumulated depreciation 2016 \$302,073; 2015 \$287,574	277,907	292,406
Total assets	<b>\$14,528,699</b>	<b>\$11,411,226</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses Des Moines Area Community College	\$ 104,695	\$ 213,679
Net assets		
Unrestricted	2,850,311	1,453,865
Temporarily restricted	7,207,598	5,658,966
Permanently restricted	4,366,095	4,084,716
Total net assets	14,424,004	11,197,547
Total liabilities and net assets	<b>\$14,528,699</b>	<b>\$11,411,226</b>

See Notes to Financial Statements.

**Des Moines Area Community College Foundation  
STATEMENTS OF ACTIVITIES**

	<u>Year ended June 30, 2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$1,669,924	\$3,043,462	\$ 281,379	\$ 4,994,765
Investment income (loss)	(12,732)	(89,603)	-	(102,335)
Net assets released from restrictions				
Satisfaction of donor restrictions	<u>1,405,227</u>	<u>(1,405,227)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,062,419</u>	<u>1,548,632</u>	<u>281,379</u>	<u>4,892,430</u>
<b>EXPENSES</b>				
Scholarships and awards	812,070	-	-	812,070
Grants to Des Moines Area Community College	688,085	-	-	688,085
Administrative	47,179	-	-	47,179
Fund raising	104,140	-	-	104,140
Rental property	14,499	-	-	14,499
Total expenses	<u>1,665,973</u>	<u>-</u>	<u>-</u>	<u>1,665,973</u>
<b>CHANGE IN NET ASSETS</b>	1,396,446	1,548,632	281,379	3,226,457
<b>BEGINNING NET ASSETS</b>	<u>1,453,865</u>	<u>5,658,966</u>	<u>4,084,716</u>	<u>11,197,547</u>
<b>ENDING NET ASSETS</b>	<u>\$2,850,311</u>	<u>\$7,207,598</u>	<u>\$4,366,095</u>	<u>\$14,424,004</u>

<u>Year ended June 30, 2015</u>			
<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
\$ 245,707	\$1,240,203	\$ 73,216	\$ 1,559,126
65,742	103,145	—	168,887
<u>1,380,450</u>	<u>(1,380,450)</u>	<u>—</u>	<u>—</u>
<u>1,691,899</u>	<u>(37,102)</u>	<u>73,216</u>	<u>1,728,013</u>
754,867	—	—	754,867
662,445	—	—	662,445
76,570	—	—	76,570
82,450	—	—	82,450
<u>14,500</u>	<u>—</u>	<u>—</u>	<u>14,500</u>
<u>1,590,832</u>	<u>—</u>	<u>—</u>	<u>1,590,832</u>
101,067	(37,102)	73,216	137,181
<u>1,352,798</u>	<u>5,696,068</u>	<u>4,011,500</u>	<u>11,060,366</u>
<u>\$1,453,865</u>	<u>\$5,658,966</u>	<u>\$4,084,716</u>	<u>\$11,197,547</u>

**Des Moines Area Community College Foundation  
STATEMENTS OF CASH FLOWS**

	<u>Year ended June 30</u>	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$3,226,457	\$ 137,181
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for depreciation	14,499	14,500
Realized (gains)	(55,075)	(34,580)
Change in net unrealized losses	560,447	426,162
Changes in assets and liabilities		
(Increase) in accrued interest and other receivables	(649)	(1,010)
(Increase) in contributions receivable	(1,331,418)	(88,546)
(Increase) in prepaid expenses	(19,250)	(18,890)
Increase (decrease) in accounts payable and accrued expenses	<u>(108,984)</u>	<u>194,849</u>
Net cash provided by operating activities	<u>2,286,027</u>	<u>629,666</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	574,542	640,304
Purchase of investments	<u>(2,865,668)</u>	<u>(1,332,217)</u>
Net cash (used in) investing activities	<u>(2,291,126)</u>	<u>(691,913)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(5,099)	(62,247)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>1,257,904</u>	<u>1,320,151</u>
Ending	<u>\$1,252,805</u>	<u>\$1,257,904</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>		
Donated marketable securities recorded at fair value	<u>\$1,159,745</u>	<u>\$ 36,372</u>

**Des Moines Area Community College Foundation**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Des Moines Area Community College Foundation (Foundation) is a nonprofit corporation organized under the laws of the State of Iowa for the purpose of establishing loan and scholarship funds which will assist needy students at Des Moines Area Community College (College) to obtain higher education and to secure instructional and capital support for the College.

**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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*. Under the Topic, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation follows the accounting for uncertainty in income tax as required by the Income Taxes Topic of the *FASB Accounting Standards Codification*. The Foundation has evaluated its material tax positions and determined no income tax effects with respect to the financial statements. The Foundation is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years before 2012. The Foundation has not been notified of any impending examinations by authorities, and no examinations are in process.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Revenue and Cost Recognition**

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Income earned on funds which have been consolidated for investment purposes has been prorated to the various net asset groups. If restricted, income earned on funds invested is accounted for in the appropriate net asset group.

Scholarships, awards, grants, administrative costs and fund raising costs are charged to expense as incurred.



**Des Moines Area Community College Foundation**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents and Concentration of Credit Risk**

For purposes of reporting cash flows, the Foundation considers highly liquid savings bonds and all certificates of deposit, regardless of maturity, to be cash equivalents. Money market funds held in brokerage accounts are classified as investments.

The Foundation places its cash in creditworthy institutions. However, cash levels may exceed the Federal Deposit Insurance Corporation insured levels from time to time.

**Contributions Receivable**

Contributions receivable (unconditional promises to give) are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Intentions to give to the Foundation which are not legally enforceable are recorded as contribution revenue in the statements of activities when collected.

At June 30, 2016 and 2015, all contributions receivable were considered collectible.

**Property**

Property is recorded at cost, with depreciation being provided using the straight-line method over the estimated useful life of the assets.

**Investments**

The Foundation carries investments in marketable securities with readily determinable fair values at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**Endowments**

The Foundation's endowments consist of funds established for a variety of purposes, but are primarily to provide a long term source of income for scholarships. The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (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 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; 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.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed by 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 expected total return from income and appreciation of investments; (5) other resources of the Foundation; and (6) the investment policies of the Foundation.

**Des Moines Area Community College Foundation**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 DONATED EQUIPMENT, INVESTMENTS, SUPPLIES, SERVICES AND FACILITIES**

Various donors have contributed various items through the Des Moines Area Community College Foundation with the Des Moines Area Community College as titleholder. As the Foundation does not hold the title to these items, these contributions have not been recorded as assets on the financial statements.

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Several volunteers have given a significant amount of their time to the Foundation's administrative and fund raising campaigns. Additionally, the Foundation occupies, without charge, certain premises located in Des Moines Area Community College buildings. However, no amounts have been reflected in the statements for such donated services and premises since no objective basis is available to measure their value.

**NOTE 3 INVESTMENTS**

Investments consist of the following at June 30, 2016 and 2015:

	<u>June 30, 2016</u>			<u>June 30, 2015</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Money market funds	\$ 417,278	\$ 417,278	\$ —	\$ 72,914	\$ 72,914	\$ —
Mutual funds	<u>8,532,493</u>	<u>11,107,074</u>	<u>2,574,581</u>	<u>7,622,868</u>	<u>9,665,684</u>	<u>2,042,816</u>
Totals	<u>\$8,949,771</u>	<u>\$11,524,352</u>	<u>\$2,574,581</u>	<u>\$7,695,782</u>	<u>\$9,738,598</u>	<u>\$2,042,816</u>

	<u>Year ended June 30</u>	
	<u>2016</u>	<u>2015</u>
Investment income (loss) is summarized as follows:		
Interest and dividend income	\$ 403,037	\$ 560,469
Realized gains	55,075	34,580
Change in net unrealized gains (losses)	<u>(560,447)</u>	<u>(426,162)</u>
Totals	<u>\$ (102,335)</u>	<u>\$ 168,887</u>

**NOTE 4 FAIR VALUE MEASUREMENTS**

The Foundation follows the Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which establishes a framework for measuring fair value and expands disclosures about fair value measurement. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are generally available indirect information, such as quoted prices for identical or similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. Level 3 inputs are the most subjective, are generally based on management's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

**Des Moines Area Community College Foundation  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 FAIR VALUE MEASUREMENTS (continued)**

The investments listed below have quoted prices in active markets and are Level 1 inputs.

The Foundation's investments are reported at fair value in the accompanying statements of financial position:

	June 30	
	2016	2015
Money market funds	\$ 417,278	\$ 72,914
Mutual funds	<u>11,107,074</u>	<u>9,665,684</u>
Total investments at fair value	<u>\$11,524,352</u>	<u>\$9,738,598</u>

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

The future collections of contributions receivable as of June 30, 2016 and 2015 are as follows:

Year ending June 30	June 30, 2016			June 30, 2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
2016	\$ —	\$ —	\$ —	\$ 546	\$ 20,000	\$ 20,546
2017	1,085,216	24,498	1,109,714	—	21,000	21,000
2018	83,625	23,000	106,625	—	21,000	21,000
2019	78,625	22,000	100,625	—	21,000	21,000
2020	78,500	2,000	80,500	—	5,000	5,000
2021	<u>21,500</u>	<u>1,000</u>	<u>22,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$1,347,466</u>	<u>\$ 72,498</u>	<u>\$1,419,964</u>	<u>\$ 546</u>	<u>\$ 88,000</u>	<u>\$ 88,546</u>

Contributions receivable are primarily from other foundations, the College, businesses and individuals from the state of Iowa.

**NOTE 6 PROPERTY**

Property consists of the following:

	Year ended June 30	
	2016	2015
Ankeny building	\$ 579,980	\$ 579,980
Less accumulated depreciation	<u>302,073</u>	<u>287,574</u>
	<u>\$ 277,907</u>	<u>\$ 292,406</u>

The Foundation owns a building on the College's Ankeny campus. The Foundation charges the College no rent for the Ankeny building. The College is responsible for utilities, property taxes, repairs and maintenance for this building.

**Des Moines Area Community College Foundation  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 RELATED PARTY TRANSACTIONS**

Most of the contributions received by the Foundation are transferred to the Des Moines Area Community College as scholarships or awards for qualifying students, or transferred to the College to fund capital building projects.

Scholarships or awards to qualifying students were as follows:

	<b>Year ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Ankeny, Urban, Newton and West campuses	\$ 634,174	\$ 592,304
Boone campus	142,952	147,497
Carroll campus	34,944	15,066
Totals	\$ 812,070	\$ 754,867

Grants to Des Moines Area Community College of \$688,085 and \$662,445 were transferred to the College during the years ended June 30, 2016 and 2015, respectively.

In addition, donated services from Des Moines Area Community College of \$374,464 and \$316,518 were not recognized in the financial statements for the years ended June 30, 2016 and 2015, respectively, as they did not meet the criteria for recognition under the Not-for-Profit Entities Revenue Recognition Topic of the *FASB Accounting Standards Codification*.

The amounts due to Des Moines Area Community College of \$104,695 and \$213,679 at June 30, 2016 and 2015, respectively, represent contributions received and receivable that will be transferred to the College and Foundation expenses to be reimbursed to the College.

**NOTE 8 ENDOWMENTS**

The change in endowment net assets was as follows for the years ended June 30, 2016 and 2015:

	<b>June 30, 2016</b>			<b>June 30, 2015</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Balance at beginning of year	\$2,088,625	\$4,084,716	\$6,173,341	\$2,156,268	\$4,011,500	\$6,167,768
Investment return						
Investment income	234,007	-	234,007	295,617	-	295,617
Net (depreciation)	(286,785)	-	(286,785)	(228,082)	-	(228,082)
Total investment return	(52,778)	-	(52,778)	67,535	-	67,535
Contributions	-	281,379	281,379	-	73,216	73,216
Expenditures	(178,301)	-	(178,301)	(135,178)	-	(135,178)
Balance at end of year	<u>\$1,857,546</u>	<u>\$4,366,095</u>	<u>\$6,223,641</u>	<u>\$2,088,625</u>	<u>\$4,084,716</u>	<u>\$6,173,341</u>

**Des Moines Area Community College Foundation  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
Special purpose	\$2,658,495	\$1,322,417
Scholarship	4,524,120	4,311,161
Loan	24,983	25,388
Totals	<u>\$7,207,598</u>	<u>\$5,658,966</u>

Permanently restricted net assets for permanent endowments totaled \$4,366,095 and \$4,084,716 at June 30, 2016 and 2015, respectively, the income from which is to be used for scholarships.

Net assets that were released from donor restrictions by incurring expenditures satisfying the restricted purposes are as follows:

	<b>Year ended June 30</b>	
	<b>2016</b>	<b>2015</b>
Special purpose	\$ 831,452	\$ 695,908
Scholarships	573,346	684,542
Loan	429	—
Totals	<u>\$1,405,227</u>	<u>\$1,380,450</u>

**NOTE 10 SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through October 22, 2016, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.