

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

FINANCIAL REPORT

June 30, 2017

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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, 2017 and 2016, 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, 2017 and 2016, 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.

A handwritten signature in black ink that reads "Denman & Company, LLP". The signature is written in a cursive, flowing style.

DENMAN COMPANY, LLP

West Des Moines, Iowa
November 6, 2017

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

	June 30	
	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,984,143	\$ 1,252,805
Investments at fair value	12,961,217	11,524,352
Accrued interest and other receivables	24,946	9,921
Contributions receivable	1,875,069	1,419,964
Prepaid expenses	29,250	43,750
Property, net of accumulated depreciation 2017 \$-0-; 2016 \$302,073	—	277,907
Total assets	\$16,874,625	\$14,528,699
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses		
Des Moines Area Community College	\$ 71,497	\$ 104,695
Other	4,535	—
Total liabilities	76,032	104,695
Net assets		
Unrestricted	3,094,470	2,850,311
Temporarily restricted	8,964,907	7,207,598
Permanently restricted	4,739,216	4,366,095
Total net assets	16,798,593	14,424,004
Total liabilities and net assets	\$16,874,625	\$14,528,699

See Notes to Financial Statements.

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

	<u>Year ended June 30, 2017</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	
SUPPORT AND REVENUE				
Contributions	\$ 351,180	\$2,110,464	\$ 373,121	\$ 2,834,765
Investment income loss	250,530	1,223,056	-	1,473,586
Net assets released from restrictions				
Satisfaction of donor restrictions	<u>1,576,211</u>	<u>1,576,211</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,177,921</u>	<u>1,757,309</u>	<u>373,121</u>	<u>4,308,351</u>
EXPENSES				
Scholarships and awards	1,014,189	-	-	1,014,189
Grants to Des Moines Area Community College	732,734	-	-	732,734
Administrative	54,257	-	-	54,257
Fund raising	132,582	-	-	132,582
Rental property	-	-	-	-
Total expenses	<u>1,933,762</u>	<u>-</u>	<u>-</u>	<u>1,933,762</u>
CHANGE IN NET ASSETS	244,159	1,757,309	373,121	2,374,589
BEGINNING NET ASSETS	<u>2,850,311</u>	<u>7,207,598</u>	<u>4,366,095</u>	<u>14,424,004</u>
ENDING NET ASSETS	<u>\$3,094,470</u>	<u>\$8,964,907</u>	<u>\$4,739,216</u>	<u>\$16,798,593</u>

See Notes to Financial Statements.

Year ended June 30, 2016

<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
\$1,669,924	\$3,043,462	\$ 281,379	\$ 4,994,765
12,732	89,603	—	102,335
<u>1,405,227</u>	<u>1,405,227</u>	<u>—</u>	<u>—</u>
<u>3,062,419</u>	<u>1,548,632</u>	<u>281,379</u>	<u>4,892,430</u>
812,070	—	—	812,070
688,085	—	—	688,085
47,179	—	—	47,179
104,140	—	—	104,140
<u>14,499</u>	<u>—</u>	<u>—</u>	<u>14,499</u>
<u>1,665,973</u>	<u>—</u>	<u>—</u>	<u>1,665,973</u>
1,396,446	1,548,632	281,379	3,226,457
<u>1,453,865</u>	<u>5,658,966</u>	<u>4,084,716</u>	<u>11,197,547</u>
<u>\$2,850,311</u>	<u>\$7,207,598</u>	<u>\$4,366,095</u>	<u>\$14,424,004</u>

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

	Year ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$2,374,589	\$3,226,457
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for depreciation	–	14,499
Loss on transfer of building	277,907	–
Realized gains	133,309	55,075
Change in net unrealized gains losses	1,032,890	560,447
Changes in assets and liabilities		
Increase in accrued interest and other receivables	15,025	649
Increase in contributions receivable	455,105	1,331,418
Increase decrease in prepaid expenses	14,500	19,250
Decrease in accounts payable and accrued expenses	28,663	108,984
Net cash provided by operating activities	<u>1,002,004</u>	<u>2,286,027</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,070,818	574,542
Purchase of investments	<u>1,341,484</u>	<u>2,865,668</u>
Net cash used in investing activities	<u>270,666</u>	<u>2,291,126</u>
NET INCREASE DECREASE IN CASH AND CASH EQUIVALENTS	731,338	5,099
CASH AND CASH EQUIVALENTS		
Beginning	<u>1,252,805</u>	<u>1,257,904</u>
Ending	<u>\$1,984,143</u>	<u>\$1,252,805</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated marketable securities recorded at fair value	<u>\$ 171,154</u>	<u>\$1,159,745</u>
Ownership of building transferred to Des Moines Area Community College	<u>\$ 277,907</u>	<u>\$ –</u>

See Notes to Financial Statements.

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 2013. 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, 2017 and 2016, 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, 2017 and 2016:

	June 30, 2017			June 30, 2016		
	Cost	Fair value	Unrealized appreciation depreciation	Cost	Fair value	Unrealized appreciation depreciation
Money market funds	\$ 594,370	\$ 594,370	\$ -	\$ 417,278	\$ 417,278	\$ -
Corporate bonds and notes	224,944	225,538	594	-	-	-
Government securities	123,901	123,876	25	-	-	-
Mutual funds	<u>9,370,082</u>	<u>12,017,433</u>	<u>2,647,351</u>	<u>9,551,696</u>	<u>11,107,074</u>	<u>1,555,378</u>
Totals	<u>\$10,313,297</u>	<u>\$12,961,217</u>	<u>\$2,647,920</u>	<u>\$9,968,974</u>	<u>\$11,524,352</u>	<u>\$1,555,378</u>

	Year ended June 30	
	2017	2016
Investment income loss is summarized as follows:		
Interest and dividend income	\$ 307,387	\$ 403,037
Realized gains	133,309	55,075
Change in net unrealized gains losses	<u>1,032,890</u>	<u>560,447</u>
Totals	<u>\$1,473,586</u>	<u>\$ 102,335</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	
	2017	2016
Money market funds	\$ 594,370	\$ 417,278
Corporate bonds and notes	225,538	-
Government securities	123,876	-
Mutual funds	<u>12,017,433</u>	<u>11,107,074</u>
 Total investments at fair value	 <u>\$12,961,217</u>	 <u>\$11,524,352</u>

NOTE 5 CONTRIBUTIONS RECEIVABLE

The future collections of contributions receivable as of June 30, 2017 and 2016 are as follows:

Year ending June 30	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
2017	\$ -	\$ -	\$ -	1,085,216	24,498	1,109,714
2018	1,099,069	180,000	1,279,069	83,625	23,000	106,625
2019	78,500	127,000	205,500	78,625	22,000	100,625
2020	78,500	112,000	190,500	78,500	2,000	80,500
2021	-	100,000	100,000	21,500	1,000	22,500
2022	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$1,256,069</u>	 <u>\$ 619,000</u>	 <u>\$1,875,069</u>	 <u>\$1,347,466</u>	 <u>\$ 72,498</u>	 <u>\$1,419,964</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	
	2017	2016
Ankeny building	\$ -	\$ 579,980
Less accumulated depreciation	<u>-</u>	<u>302,073</u>
	<u>\$ -</u>	<u>\$ 277,907</u>

Effective March 7, 2017, the Foundation transferred ownership of a building on the College's Ankeny campus to the College. The Foundation charged the College no rent for the Ankeny building. The College was 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:

	Year ended June 30	
	2017	2016
Ankeny, Urban, Newton and West campuses	\$ 871,789	\$ 634,174
Boone campus	122,807	142,952
Carroll campus	19,593	34,944
Totals	\$1,014,189	\$ 812,070

Grants to Des Moines Area Community College of \$732,734 and \$688,085 were transferred to the College during the years ended June 30, 2017 and 2016, respectively.

In addition, donated services from Des Moines Area Community College of \$383,432 and \$374,464 were not recognized in the financial statements for the years ended June 30, 2017 and 2016, 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 \$71,497 and \$104,695 at June 30, 2017 and 2016, 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, 2017 and 2016:

	June 30, 2017			June 30, 2016		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Balance at beginning of year	\$1,857,546	\$4,366,095	\$6,223,641	\$2,088,625	\$4,084,716	\$6,173,341
Investment return						
Investment income	94,756	-	94,756	234,007	-	234,007
Net appreciation depreciation	515,890	-	515,890	286,785	-	286,785
Total investment return	610,646	-	610,646	52,778	-	52,778
Contributions	-	373,121	373,121	-	281,379	281,379
Expenditures	249,814	-	249,814	178,301	-	178,301
Balance at end of year	\$2,218,378	\$4,739,216	\$6,957,594	\$1,857,546	\$4,366,095	\$6,223,641

**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:

	June 30	
	2017	2016
Special purpose	\$2,898,531	\$2,658,495
Scholarship	6,041,381	4,524,120
Loan	24,995	24,983
Totals	\$8,964,907	\$7,207,598

Permanently restricted net assets for permanent endowments totaled \$4,739,216 and \$4,366,095 at June 30, 2017 and 2016, 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:

	Year ended June 30	
	2017	2016
Special purpose	\$ 896,894	\$ 831,452
Scholarships	679,317	573,346
Loan	—	429
Totals	\$1,576,211	\$1,405,227

NOTE 10 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 6, 2017, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.