

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

FINANCIAL REPORT

June 30, 2020 and 2019

C O N T E N T S

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	3
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5
Statements of cash flows	6
Notes to financial statements	7-13



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, 2020 and 2019, 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, 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.

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
October 19, 2020

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

	June 30	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,862,706	\$ 2,381,627
Investments at fair value	18,706,172	16,819,040
Accrued interest and other receivables	10,880	13,087
Contributions receivable	1,258,651	2,059,000
Prepaid expenses	<u>102,525</u>	<u>51,500</u>
Total assets	<u>\$23,940,934</u>	<u>\$21,324,254</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses Des Moines Area Community College	<u>\$ 4,495,995</u>	<u>\$ 3,925,361</u>
Net assets		
Net assets without donor restrictions	<u>1,444,171</u>	<u>2,141,588</u>
Net assets with donor restrictions		
Time and purpose restrictions	11,663,617	10,417,445
Held in perpetuity	<u>6,337,151</u>	<u>4,839,860</u>
Total net assets with donor restrictions	<u>18,000,768</u>	<u>15,257,305</u>
Total net assets	<u>19,444,939</u>	<u>17,398,893</u>
Total liabilities and net assets	<u>\$23,940,934</u>	<u>\$21,324,254</u>

See Notes to Financial Statements.

Des Moines Area Community College Foundation
STATEMENTS OF ACTIVITIES

	<u>Year ended June 30, 2020</u>			<u>Year ended June 30, 2019</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE						
Contributions	\$ 940,066	\$ 3,863,504	\$ 4,803,570	\$ 261,139	\$ 3,280,059	\$ 3,541,198
Investment income	43,047	604,032	647,079	136,918	882,736	1,019,654
Net assets released from restrictions						
Satisfaction of donor restrictions, net	<u>1,724,073</u>	<u>(1,724,073)</u>	—	<u>5,893,863</u>	<u>(5,893,863)</u>	—
Total support and revenue	<u>2,707,186</u>	<u>2,743,463</u>	<u>5,450,649</u>	<u>6,291,920</u>	<u>(1,731,068)</u>	<u>4,560,852</u>
EXPENSES						
Scholarships and awards	1,543,260	—	1,543,260	1,087,120	—	1,087,120
Grants to Des Moines Area Community College	<u>1,683,382</u>	—	<u>1,683,382</u>	<u>4,890,276</u>	—	<u>4,890,276</u>
Total program services	<u>3,226,642</u>	—	<u>3,226,642</u>	<u>5,977,396</u>	—	<u>5,977,396</u>
Software	32,150	—	32,150	—	—	—
Memberships	—	—	—	9,200	—	9,200
Professional fees	5,650	—	5,650	5,650	—	5,650
Conferences and events	23,321	—	23,321	36,222	—	36,222
Office expense	<u>8,040</u>	—	<u>8,040</u>	<u>7,423</u>	—	<u>7,423</u>
Total management and general	<u>69,161</u>	—	<u>69,161</u>	<u>58,495</u>	—	<u>58,495</u>
Fundraising	<u>108,800</u>	—	<u>108,800</u>	<u>176,050</u>	—	<u>176,050</u>
Total expenses	<u>3,404,603</u>	—	<u>3,404,603</u>	<u>6,211,941</u>	—	<u>6,211,941</u>
CHANGE IN NET ASSETS	(697,417)	2,743,463	2,046,046	79,979	(1,731,068)	(1,651,089)
BEGINNING NET ASSETS	<u>2,141,588</u>	<u>15,257,305</u>	<u>17,398,893</u>	<u>2,061,609</u>	<u>16,988,373</u>	<u>19,049,982</u>
ENDING NET ASSETS	<u>\$1,444,171</u>	<u>\$18,000,768</u>	<u>\$19,444,939</u>	<u>\$2,141,588</u>	<u>\$15,257,305</u>	<u>\$17,398,893</u>

See Notes to Financial Statements.

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

	Year ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$2,046,046	\$(1,651,089)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized (gains)	(136,222)	(23,879)
Change in net unrealized (gains) losses	336,153	(20,086)
Changes in assets and liabilities		
Decrease in accrued interest and other receivables	2,207	34,332
(Increase) decrease in contributions receivable	800,349	(434,771)
(Increase) in prepaid expenses	(51,025)	(17,100)
Increase in accounts payable and accrued expenses	<u>570,634</u>	<u>3,885,361</u>
Net cash provided by operating activities	<u>3,568,142</u>	<u>1,772,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,454,285	2,872,727
Purchase of investments	<u>(7,541,348)</u>	<u>(4,646,344)</u>
Net cash (used in) investing activities	<u>(2,087,063)</u>	<u>(1,773,617)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,481,079	(849)
CASH AND CASH EQUIVALENTS		
Beginning	<u>2,381,627</u>	<u>2,382,476</u>
Ending	<u>\$3,862,706</u>	<u>\$2,381,627</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated marketable securities recorded at fair value	<u>\$ 30,216</u>	<u>\$ 11,376</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 two classes of net assets:

Net assets without donor restrictions are those assets that have no donor-imposed stipulations and represent the portion of expendable assets available for support of the Foundation's operations. The Foundation's governing board may earmark portions of its net assets without donor restrictions as board-designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations. As donor-imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions.

Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Foundation adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. Adoption of the new guidance resulted in changes to the Foundation's accounting policies for revenue and cost recognition, as previously described, however there were no changes to the amounts reported within the June 30, 2019 financial statements.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU provided additional clarity on transactions which are to be recorded as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions along with additional guidance on conditional contributions. The Foundation adopted the ASU effective July 1, 2019, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in no changes to the amounts reported in the June 30, 2019 financial statements.

Des Moines Area Community College Foundation
NOTES TO FINANCIAL STATEMENTS

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

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 2016. The Foundation has not been notified of any impending examinations by authorities, and no examinations are in process.

Contributions

Contributions received are recorded as with or without donor-restricted support depending upon the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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. Contributions are recognized when received.

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. Investment income is recognized at the end of each month.

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

Allocation of Functional Expenses

Expenses have been allocated to program or supporting services based on determinations made by management. Expenses have been summarized on a functional basis in the statements of activities.

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.

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

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

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, 2020 and 2019, all contributions receivable were considered collectible.

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.

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, 2020 and 2019:

	<u>June 30, 2020</u>			<u>June 30, 2019</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	\$ 2,410,622	\$ 2,410,622	\$ -	\$ 2,231,228	\$ 2,231,228	\$ -
Corporate bonds and notes	912,038	919,959	7,921	99,659	100,745	1,086
Mutual funds	<u>12,807,316</u>	<u>15,375,591</u>	<u>2,568,275</u>	<u>11,637,629</u>	<u>14,487,067</u>	<u>2,849,438</u>
Totals	<u>\$16,129,976</u>	<u>\$18,706,172</u>	<u>\$2,576,196</u>	<u>\$13,968,516</u>	<u>\$16,819,040</u>	<u>\$2,850,524</u>

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

NOTE 3 INVESTMENTS (continued)

	Year ended June 30	
	2020	2019
Investment income is summarized as follows:		
Interest and dividend income	\$ 847,010	\$ 975,689
Realized gains	136,222	23,879
Change in net unrealized gains (losses)	<u>(336,153)</u>	<u>20,086</u>
Totals	<u>\$ 647,079</u>	<u>\$1,019,654</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.

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	
	2020	2019
Money market funds	\$ 2,410,622	\$ 2,231,228
Corporate bonds and notes	919,959	100,745
Mutual funds	<u>15,375,591</u>	<u>14,487,067</u>
Total investments at fair value	<u>\$18,706,172</u>	<u>\$16,819,040</u>

NOTE 5 CONTRIBUTIONS RECEIVABLE

The future collections of contributions receivable as of June 30, 2020 and 2019 are as follows:

Year ending June 30	June 30, 2020			June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
2020	\$ —	\$ —	\$ —	\$ 73,500	\$ 700,000	\$ 773,500
2021	16,500	571,518	588,018	10,500	575,000	585,500
2022	1,000	403,383	404,383	—	575,000	575,000
2023	1,000	232,383	233,383	—	125,000	125,000
2024	—	28,800	28,800	—	—	—
Thereafter	<u>—</u>	<u>4,067</u>	<u>4,067</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 18,500</u>	<u>\$1,240,151</u>	<u>\$1,258,651</u>	<u>\$ 84,000</u>	<u>\$1,975,000</u>	<u>\$2,059,000</u>

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

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

NOTE 6 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.

	Year ended June 30	
	2020	2019
Scholarships or awards to qualifying students	<u>\$1,543,260</u>	<u>\$1,087,120</u>

Grants to Des Moines Area Community College of \$1,683,382 and \$4,890,276 were transferred to the College during the years ended June 30, 2020 and 2019, respectively.

In addition, donated services from Des Moines Area Community College of \$404,562 and \$400,367 were not recognized in the financial statements for the years ended June 30, 2020 and 2019, 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 \$4,495,995 and \$3,925,361 at June 30, 2020 and 2019, respectively, represent contributions received and receivable that will be transferred to the College and Foundation expenses to be reimbursed to the College.

NOTE 7 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 endowments held in perpetuity (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 endowment held in perpetuity is classified as special purpose, scholarship or loan 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.

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

	With donor restrictions	
	2020	2019
Donor-restricted endowment funds		
Original donor-restricted gift amounts required to be held in perpetuity	\$6,337,151	\$4,839,860
Term endowments	<u>2,489,231</u>	<u>2,478,375</u>
Total endowment funds	<u>\$8,826,382</u>	<u>\$7,318,325</u>

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

NOTE 7 ENDOWMENTS (continued)

The change in endowment net assets was as follows for the years ended June 30, 2020 and 2019:

	June 30	
	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ <u>7,318,235</u>	\$ <u>7,109,537</u>
Investment return		
Investment income (loss)	(97,447)	23,356
Net appreciation	<u>400,142</u>	<u>364,534</u>
Total investment return	302,695	387,890
Contributions	1,497,291	67,057
Expenditures	<u>(291,839)</u>	<u>(246,249)</u>
Balance at end of year	\$ <u>8,826,382</u>	\$ <u>7,318,235</u>

NOTE 8 RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were for the following purposes:

	June 30	
	<u>2020</u>	<u>2019</u>
Endowments held in perpetuity	\$ 6,337,151	\$ 4,839,860
Special purpose	3,558,194	2,731,940
Scholarship	8,098,819	7,671,105
Loan	<u>6,604</u>	<u>14,400</u>
Totals	\$ <u>18,000,768</u>	\$ <u>15,257,305</u>

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

	Year ended June 30	
	<u>2020</u>	<u>2019</u>
Special purpose	\$2,220,744	\$5,246,523
Scholarships	946,308	636,745
Loan	7,794	10,595
Reclassification from unrestricted	<u>(1,450,773)</u>	<u>—</u>
Totals	\$ <u>1,724,073</u>	\$ <u>5,893,863</u>

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

NOTE 9 LIQUIDITY

The Foundation's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	<u>\$3,862,706</u>	<u>\$2,381,627</u>

The Foundation's endowment consists of donor-restricted and board designated funds for specific purposes and, therefore, are not available for general expenditure. As part of the Foundation's liquidity management, it has practiced ensuring enough cash on hand for any expenditures paid out. For the most part, the Foundation can control the amount of expenditures based on the amount of funds available for disbursement and limits expenditures to such.

NOTE 10 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 19, 2020, the date which the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.