

Lamar Community College Foundation
Auditor's Report and Financial Statements
June 30, 2018 and 2017

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October 10, 2018

Lamar Community College Foundation
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***r*farmer, llc**
a certified public accounting and consulting firm

Independent Auditor's Report

Board of Directors
LCC Foundation

We have audited the accompanying financial statements of LCC Foundation (the Foundation), which comprise the basic statements of financial position as of June 30, 2018 and 2017, 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 basic 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 basic 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 basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***r*farmer, llc**

September 5, 2018

Lamar Community College Foundation
 Statements of Net Assets
 June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash	\$ 218,128	\$ 112,776
Investments-Short Term	331,008	344,654
Accounts Receivable	-	3,623
TOTAL CURRENT ASSETS	<u>549,136</u>	<u>461,053</u>
 TOTAL ASSETS	 <u><u>549,136</u></u>	 <u><u>461,053</u></u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>61,004</u>	<u>20,887</u>
TOTAL LIABILITIES	<u>61,004</u>	<u>20,887</u>
 NET ASSETS		
Unrestricted	68,077	41,320
Temporarily Restricted	367,706	346,497
Permanently Restricted	<u>52,349</u>	<u>52,349</u>
TOTAL NET ASSETS	<u>488,132</u>	<u>440,166</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 549,136</u></u>	 <u><u>\$ 461,053</u></u>

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

Lamar Community College Foundation
 Statements of Activities
 For the years ended June 30, 2018 and 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
SUPPORT AND REVENUE					
Support:					
Contributions	42,223	263,712	-	\$ 305,935	\$ 389,370
Revenue:					
Investment income (loss)	490	(297)	-	193	9,810
TOTAL SUPPORT AND REVENUE	42,713	263,415	-	306,128	399,180
RELEASE FROM RESTRICTIONS	242,206	(242,206)	-	-	-
EXPENSES					
Program Services					
Scholarships awarded	211,952	-	-	211,952	427,420
Special events	32,261	-	-	32,261	50,832
Support Services					
General and administrative	8,215	-	-	8,215	4,679
Fund raising	5,734	-	-	5,734	5,315
TOTAL EXPENSES	258,162	-	-	258,162	488,246
Changes in net assets	26,757	21,209	-	47,966	(89,066)
Net assets, beginning	41,320	346,497	52,349	440,166	529,232
NET ASSETS, End of Year	\$ 68,077	\$ 367,706	\$ 52,349	\$ 488,132	\$ 440,166

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

Lamar Community College Foundation
 Statements of Cash Flows
 For the years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	\$ 309,558	\$ 385,747
Investment income (loss)	193	9,811
Cash paid for scholarships & special events	(204,096)	(490,467)
Cash paid for general and administrative support	(8,215)	(4,679)
Cash paid for other program expenses	(5,734)	(5,317)
Net Cash Provided (Used) by Operating Activities	91,706	(104,905)
Net Increase (Decrease) in Cash	91,706	(104,905)
Cash, Beginning of Year	457,430	562,335
Cash, End of Year	\$ 549,136	\$ 457,430

RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 47,966	\$ (89,066)
Changes in assets and liabilities related to operations:		
Accounts Receivable (Increase) Decrease	3,623	(3,623)
Accounts Payable (Decrease) Increase	40,117	(12,216)
Net Cash provided (used) by operating activities	\$ 91,706	\$ (104,905)

Cash includes Cash and Investments-short term

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

Lamar Community College Foundation
Notes to Financial Statements
June 30, 2018 and 2017

Note 1 Nature of Operations

The Lamar Community College Foundation (the Foundation) was formed in 1973 as Lamar Community College Development Corporation. The name was changed in 1977 to the Lamar Community College Foundation. The primary activities of the Foundation are to raise funds and distribute them to promote the educational purpose of the Lamar Community College (the College) and purchase, lease, or improve real and personal property for the College.

For financial reporting purposes, the Foundation may be a component unit of Lamar Community College, which is a Colorado governmental unit.

Summary of Significant Accounting Policies

This summary of significant accounting policies for the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to the generally accepted accounting principles as promulgated by the AICPA Industry Audit and Accounting Guide for Not-for-Profit Entities.

Basis of Accounting

The accrual basis of accounting is employed where support and revenue are recorded when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

Contributions and Promises to Give

The Foundation has adopted the Statement of Financial Accounting Standards relating to contributions received and contributions made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give are recognized as receivables in the period in which the Foundation is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they are dependent are substantially met.

The Foundation had \$3,623 of conditional promises to give and no unconditional promises to give as of June 30, 2017. The Foundation did not have any unconditional or conditional promises to give as of June 30, 2018.

Contributions

In accordance with FASB ASC 958, *Financial Statements of Not-for-Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Under FASB ASC 958, contributions that are required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of time restrictions or satisfaction of donor restrictions.

Donated materials and Services

The Foundation records the value of donated goods or services when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated materials and equipment are reflected in the accompanying statements at their estimated value at date of receipt.

The Foundation's Board of Directors and its officers serve without compensation. The value of these services is not recorded in the financial statements. Additionally, a number of volunteers periodically donate significant amounts of time to the Foundation. No amounts have been reflected in the statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills.

Income Taxes

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Accounting for Income Taxes

The Foundation has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribed a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Foundation, management believes that its income tax filing positions and deductions are well documented and supported.

As of June 30, 2018, the Foundation had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of June

30, 2018, the Foundation had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, such interest and penalties will be reported as income tax expense.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Foundation's tax returns will not be challenged by the taxing authorities and that the Foundation will not be subject to additional tax, penalties, and interest as a result of such challenge. At June 30, 2018, the periods that remain open to examination under federal statute are for the tax years ended June 20, 2015 through 2017.

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 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 the reported amounts of revenue and expenses during the reporting period. These estimates are based upon the management's best estimates, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

Classification of Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its ASC 958-210. Under FASB ASC 958-210, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The assets, liabilities, and net assets of the Foundation are reported in net assets classes as follows:

- a) Unrestricted Net Assets: Unrestricted net assets are resources over which the Board of Directors (the Board) has discretionary control including those unrestricted net assets invested in property and equipment at the direction of the Board.
- b) Temporarily Restricted Net Assets: Temporarily restricted net assets are subject to donor-imposed stipulation that may or will be met by actions of the Foundation and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported within the statement of activities as net assets released from restrictions.

- c) Permanently Restricted Net Assets: Permanently restricted net assets are limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. At June 30, 2018 and 2017, permanently restricted net assets totaled \$52,349.

Fair Value of Financial Instruments

All financial instruments are carried at amounts that approximate estimated fair value. FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2

Inputs to the valuation methodology are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the assets or liability.

Level 3

Inputs to the valuation methodology are unobservable for the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

For the years ended June 30, 2018 and 2017, all financial instruments were considered to be Level 1 inputs under the fair value hierarchy.

Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

Note 2

Marketable Investment Securities

Investments in marketable securities are reported at their fair market values. Earnings, including realized and unrealized gains and losses from the investment of contributed funds, are treated as unrestricted resources, unless such earnings have been specifically restricted by donors.

As of June 30, 2018, and June 30, 2017 respectively, \$331,008 and \$344,654 was invested in various securities. The investments are not FDIC insured and are not insured by any government agency.

Investments consist of the following:

	June 30, 2018		June 30, 2017	
	Cost	Market	Cost	Market
Deposit Accounts	\$ 7,325	\$ 7,325	\$ 166,415	\$ 166,415
Mutual Funds	27,080	30,193	66,337	66,950
Exchange Traded Funds	275,861	281,135	45,853	52,202
Other Investments	12,699	12,355	60,807	59,087
Total	<u>\$ 322,935</u>	<u>\$ 331,008</u>	<u>\$ 339,412</u>	<u>\$ 344,654</u>

Note 3

Endowments

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as generally requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Foundation generally 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. 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 organization and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the organization.
- 7) The investment policies of the organization.

The endowment funds may be invested in high quality, publicly traded common and preferred stocks, convertible bonds, bank common funds, mutual funds, fixed income securities and other assets as authorized by the Board of Directors of the Foundation from time to time. The nature of the assets involved and the long-term objectives of the Foundation suggest utilizing a total return approach to investment management.

The Foundation endowment seeks preservation of principal and to provide a dependable and reasonable rate of long-term investment return consistent with moderate investment risk. The primary investment objective of the endowment is to achieve a total annual return measured on a five-year moving average basis, at least equal to the rate of inflation plus four percent (4%).

The Foundation has a policy of appropriating for distribution each year up to 4% of the average of the permanent endowment's market values on June 30th for each of the five immediately preceding years, as approved by the Foundation Board, in accordance with the endowment mission and purpose. In the years ended June 30, 2017 and 2016, the Board of Directors determined not to appropriate this distribution.

If the spending allocation amount of the permanent endowment would cause the Foundation's permanent endowment's value to fall below its original gift value level, then the annual spending allocation amount is limited to the amount in excess of the original gift value.

The following are the changes in endowment net assets for the year ended June 30, 2018:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 346,497	\$ 52,349
Contributions	263,712	-
Investment Losses	(297)	-
Release from restrictions	(242,206)	-
Endowment net assets, end of year	<u>\$ 367,706</u>	<u>\$ 52,349</u>

The following are the changes in endowment net assets for the year ended June 30, 2017:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 456,759	\$ 51,762
Contributions and earnings	367,991	587
Adjustment	(478,253)	-
Endowment net assets, end of year	<u>\$ 346,497</u>	<u>\$ 52,349</u>

Note 4 **Temporarily Restricted Net Assets**

Temporarily restricted assets are available for the following purpose:

	June 30, 2018	June 30, 2017
Unappropriated endowment funds	<u>\$ 367,706</u>	<u>\$ 346,497</u>

The funds will be used as determined by the donors.

Note 5 **Subsequent Events**

Subsequent events have been evaluated through the date of the financial statements and there are not any subsequent events to disclose.