

THE TYLER JUNIOR COLLEGE FOUNDATION

**Financial Statements
(with Independent Auditors' Report thereon)**

August 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Tyler Junior College Foundation

We have audited the accompanying financial statements of The Tyler Junior College Foundation (a nonprofit organization), which comprise the statements of financial position as of August 31, 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 audit. We conducted our audit 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 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.

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 Tyler Junior College Foundation as of August 31, 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.



ACKER & COMPANY
Certified Public Accountants, PC
Tyler, Texas
October 19, 2016

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents (Note 5)	1,838,336	2,099,602
Investments (Notes 2 and 5)	42,708,319	40,116,674
Funds Held in Trust (Note 2)	456,005	444,532
Charitable Gift Annuities (Note 2)	301,776	291,234
Other Assets	52,901	54,570
Total Invested Funds	<u>45,357,337</u>	<u>43,006,612</u>
Contributions Receivable (Net of allowance for uncollectible pledges)	659,878	928,872
Real Estate and Mineral Interests	599,221	811,607
Deferred Expense	779,983	764,518
Total Assets	<u><u>\$ 47,396,419</u></u>	<u><u>\$ 45,511,609</u></u>
LIABILITIES		
Accounts Payable - Tyler Junior College (Note 3)	729,690	735,045
Deferred Revenue	108,893	87,714
Total Liabilities	<u>838,583</u>	<u>822,759</u>
NET ASSETS		
Unrestricted	8,699,646	7,486,918
Temporarily Restricted (Note 6)	5,426,982	5,710,547
Permanently Restricted (Note 6)	32,431,208	31,491,385
Total Net Assets	<u>46,557,836</u>	<u>44,688,850</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 47,396,419</u></u>	<u><u>\$ 45,511,609</u></u>

See accompanying notes to financial statements.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:								
Contributions and Fund-raising	255,414	1,606,494	939,086	2,800,994	225,427	1,842,167	1,599,739	3,667,333
Unrealized Gain (loss)								
on Investments	1,303,484	17,530	(201,845)	1,119,169	(2,312,053)	(21,515)	(187,811)	(2,521,379)
Net Gain (loss) on Sales	494,137	(5,616)	-	488,521	1,536,613	-	-	1,536,613
Investment Income	803,351	10,944	39,627	853,922	691,657	6,184	80,522	778,363
Donor Transfers	(1,496,431)	1,333,476	162,955	-	(1,265,392)	271,946	993,446	-
Net Assets								
Released from Restrictions	3,246,393	(3,246,393)	-	-	4,824,189	(4,824,189)	-	-
Total Revenues	4,606,348	(283,565)	939,823	5,262,606	3,700,441	(2,725,407)	2,485,896	3,460,930
Administrative								
Fund-Raising	23,781	-	-	23,781	30,628	-	-	30,628
Golf Tournament	56,567	-	-	56,567	47,607	-	-	47,607
Special Event	-	-	-	-	48,324	-	-	48,324
Other	-	-	-	-	13,400	-	-	13,400
Real Estate	5,685	-	-	5,685	9,219	-	-	9,219
Scholarships & Awards								
Support of TJC	1,518,593	-	-	1,518,593	3,260,541	-	-	3,260,541
Scholarships	1,747,159	-	-	1,747,159	1,581,241	-	-	1,581,241
Other Awards	41,835	-	-	41,835	44,453	-	-	44,453
Total Expenditures	3,393,620	-	-	3,393,620	5,035,413	-	-	5,035,413
Change in Net Assets	1,212,728	(283,565)	939,823	1,868,986	(1,334,972)	(2,725,407)	2,485,896	(1,574,483)
Net Assets, September 1	7,486,918	5,710,547	31,491,385	44,688,850	8,821,890	8,435,954	29,005,489	46,263,333
Net Assets, August 31 (Note 6)	\$ 8,699,646	\$ 5,426,982	\$32,431,208	\$46,557,836	\$7,486,918	\$5,710,547	\$31,491,385	\$ 44,688,850

See accompanying notes to financial statements.

THE TYLER JUNIOR COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 1,868,986	\$ (1,574,483)
Change in Operating Assets and Liabilities:		
Contributions and Investment Earnings Restricted		
for Long-Term Purposes	(776,868)	(1,492,450)
(Increase) Decrease in Value of Investments	(1,119,169)	2,521,379
(Increase) Decrease in Value of Real Estate and Minerals	212,386	196,838
Decrease (Increase) in:		
Contributions Receivable	268,994	178,350
Deferred Expense	(15,465)	(93,545)
Charitable Gift Annuities	(10,542)	(10,526)
Other Assets	1,669	603
Funds Held in Trust	(11,473)	(153,727)
Increase (Decrease) in:		
Deferred Revenue	21,179	1,884
Accounts Payable - Tyler Junior College	(5,355)	(29,128)
Net Cash Provided by Operating Activites	<u>434,342</u>	<u>(454,805)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	<u>(1,472,476)</u>	<u>(530,986)</u>
Net Cash Used by Investing Activites	<u>(1,472,476)</u>	<u>(530,986)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions Restricted for Permanent Endowment	939,086	1,599,739
Investment Earnings Restricted for Permanent Endowment	(162,218)	(107,289)
Net Cash Provided by Financing Activites	<u>776,868</u>	<u>1,492,450</u>
Decrease in Cash and Cash Equivalents	(261,266)	506,659
Cash and Cash Equivalents - September 1	<u>2,099,602</u>	<u>1,592,943</u>
Cash and Cash Equivalents - August 31	<u><u>\$ 1,838,336</u></u>	<u><u>\$ 2,099,602</u></u>

See accompanying notes to financial statements.

**THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

The Tyler Junior College Foundation is a nonprofit corporation organized under the Texas Nonprofit Corporation Act. It is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code. The purpose of the Foundation is to strengthen the higher educational resources of Texas by encouraging a program of benefactions to Tyler Junior College.

Basis of Accounting

The Financial statements for the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows generally accepted accounting principles for Not-for-Profit Organizations. The Organization 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.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and 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 Statement of Activities as net assets released from restrictions.

Contributions Receivable

Unconditional promises to give, less an allowance for uncollectible amounts, 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 when the condition on which they depend are substantially met. Only those pledges with signed agreements were recorded as receivables.

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue and Expenses

Revenue received for future events is deferred and recognized in the periods to which it relates. Scholarships and other disbursements paid that relate to future periods are recognized as deferred expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Services

Unpaid volunteers conduct a portion of the Foundation's activity. The value of this contributed time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition under generally accepted accounting principles.

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, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

Investments, reported at fair market value at August 31 include the following:

	<u>2016</u>	<u>2015</u>
Interest Program	\$ 1,994,883	\$ 1,501,298
Corporate Equities	21,863,959	20,357,259
Mutual Funds	-	1,966,590
Fixed Income	18,749,496	16,201,636
Other	99,981	89,891
Total	<u>\$ 42,708,319</u>	<u>\$ 40,116,674</u>

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS (continued)

Investment income, unrealized gains (losses), and realized gains (losses) on investments recognized during the current year were as follows:

2016			
	Investment Income	Unrealized Gain (Loss)	Realized Gain (Loss)
Brokerage Account	\$ 808,869	\$ 1,278,020	\$ 494,035
Other	45,053	(158,851)	(5,514)
Total	<u>\$ 853,922</u>	<u>\$ 1,119,169</u>	<u>\$ 488,521</u>

2015			
	Investment Income	Unrealized Gain (Loss)	Realized Gain (Loss)
Brokerage Account	\$ 691,657	\$(2,312,053)	\$ 1,536,613
Other	86,706	(209,326)	-
Total	<u>\$ 778,363</u>	<u>\$(2,521,379)</u>	<u>\$ 1,536,613</u>

Charitable gift annuities of \$301,776 for 2016 and \$291,234 for 2015 are reported at surrender value. Investment income is net of brokerage fees of \$208,887 for 2016 and \$212,710 for 2015.

“Funds Held in Trust” are investments held by U.S. Trust in the M.C. Batey Trust and Southside Bank in the Gollob Charitable Trust. Under terms of the trusts, all distributions from the trusts go to the TJC Foundation for scholarships.

Other investment income includes Oil and Gas royalties of \$41,296 for 2016 and \$81,125 for 2015.

NOTE 3 – RELATED PARTY TRANSACTION

The Foundation expended approximately \$3,307,587 and \$4,886,234 to Tyler Junior College for scholarships, support and awards in 2016 and 2015 respectively. Tyler Junior College provides substantially all administrative staff and supplies to the Foundation at no cost. The Foundation owed the College \$729,690 and \$735,045 at August 31, 2016 and 2015 respectively.

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – REAL ESTATE AND MINERAL INTERESTS

Real estate and mineral interests is summarized as follows:

	<u>2016</u>	<u>2015</u>
Real Estate and Mineral Interest Held for Future Use or Investment	<u>\$ 599,221</u>	<u>\$ 811,607</u>

Real Estate held for future use has been recorded at cost or at appraised value if contributed, and consists of numerous parcels of land.

NOTE 5 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposited in banks of \$1,580,913 and investments in brokerage accounts totaling \$42,708,319 at August 31, 2016.

The Foundation also maintains demand deposits with various banks. Approximately \$1,300,000 was in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

NOTE 6 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the purposes designated by the donor, primarily scholarships.

Permanently restricted net assets are to provide a permanent endowment, with investment income restricted for scholarship purposes.

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENTS

The Foundation's investments at August 31, 2016 are reported at fair value in the accompanying financial statements as follows:

2016				
Fair Value Measurements Using:				
	Fair Value	Quoted Prices in Active market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt and Equity				
Investments	\$ 43,164,324	\$43,164,324	\$ -	\$ -
Oil and Gas Property	183,690	-	183,690	-
Land	415,531	-	415,531	-
Total	<u>\$ 43,763,545</u>	<u>\$43,164,324</u>	<u>\$ 599,221</u>	<u>\$ -</u>

The Foundation's investments at August 31, 2015 are reported at fair value in the accompanying financial statements

2015				
Fair Value Measurements Using:				
	Fair Value	Quoted Prices in Active market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt and Equity				
Investments	\$ 40,561,206	\$ 40,561,206	\$ -	\$ -
Oil and Gas Property	396,076	-	396,076	-
Land	415,531	-	415,531	-
Total	<u>\$ 41,372,813</u>	<u>\$ 40,561,206</u>	<u>\$ 811,607</u>	<u>\$ -</u>

Generally Accepted Accounting Principles relating to Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable information for similar items in active or inactive markets and have a lower priority and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – TAX POSITIONS

As discussed in Note 1, the Foundation is exempt from Federal Income taxes. There were no uncertain tax positions for which the Foundation believes a liability should be accrued at August 31, 2016. The years 2013 through 2016 remain open for examination by taxing authorities.

NOTE 9 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 19, 2016, the date that the financial statements were available to be issued.

NOTE 10 – ENDOWMENTS

The Foundation’s endowment consists of funds established for a variety of purposes. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of 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 in 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 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 fund: The duration and preservation of the fund and the purposes of the Foundation and the donor restricted endowment fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of August 31, 2016.

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – ENDOWMENTS (continued)

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide income for the benefit of Tyler Junior College at a consistent level as adjusted for inflation annually, but preserve principal.

To satisfy its long-term 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 with fixed income and equity-based investments to achieve its long-term return objectives within prudent risk constraints. Target asset allocations are set in its investment policy.

The Foundation has set a spending cap of 4% and a floor of 0% of its endowment fund's earnings. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

A reconciliation of endowment investments is as follows:

	Total	Permanently Restricted Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets
Balance 9/1/15	\$ 43,006,612	\$ 31,491,385	\$ 5,804,680	\$ 5,710,547
Contributions	2,800,994	939,086	255,414	1,606,494
Investment Return	1,342,443	39,627	1,297,488	5,328
Net Appreciation	1,119,169	(201,845)	1,303,484	17,530
Expenditures	(3,393,620)	-	(147,227)	(3,246,393)
Other Changes	481,739	162,955	(1,014,692)	1,333,476
Balance 8/31/16	<u>\$ 45,357,337</u>	<u>\$ 32,431,208</u>	<u>\$ 7,499,147</u>	<u>\$ 5,426,982</u>

THE TYLER JUNIOR COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – ENDOWMENTS (continued)

	Total	Permanently Restricted Net Assets	Unrestricted Net Assets	Temporarily Restricted Net Assets
Balance 9/1/14	\$ 44,326,696	\$ 29,005,489	\$ 6,885,253	\$ 8,435,954
Contributions	3,667,333	1,599,739	225,427	1,842,167
Investment Return	2,314,976	80,522	2,228,270	6,184
Net Appreciation	(2,521,379)	(187,811)	(2,312,053)	(21,515)
Expenditures	(5,035,413)	-	(211,224)	(4,824,189)
Other Changes	254,399	993,446	(1,010,993)	271,946
Balance 8/31/15	<u>\$ 43,006,612</u>	<u>\$ 31,491,385</u>	<u>\$ 5,804,680</u>	<u>\$ 5,710,547</u>

NOTE 11 – PLEDGES RECEIVABLE

Pledges receivable at August 31, 2016 are as follows:

Pledges Due in 2017	\$ 147,360
Pledges Due 2018 to 2021	<u>589,440</u>
	736,800
Allowance for Uncollectible Pledges	<u>34,730</u>
	702,070
Discount to Present Value at 2%	<u>(42,192)</u>
	<u>\$ 659,878</u>