

**THE AMARILLO COLLEGE FOUNDATION,
INCORPORATED**

(A Texas Nonprofit Foundation &
Component Unit of Amarillo College)
Amarillo, Texas

FINANCIAL STATEMENTS
August 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
The Amarillo College Foundation, Incorporated
Amarillo, Texas

Report on Financial Statements

We have audited the accompanying financial statements of the Amarillo College Foundation, Incorporated (the Foundation) (a nonprofit organization) which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses 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 the 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 Foundation'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 Foundation as of August 31, 2021 and 2020, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Amarillo, Texas
January 13, 2022

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF FINANCIAL POSITION
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 84,235	\$ -
Investments, at fair value	74,479,623	48,138,598
Accounts receivable	12,504	4,960
Computer software, net	3,260	4,960
Oil and gas properties	<u>585,386</u>	<u>585,386</u>
TOTAL ASSETS	<u><u>\$ 75,165,008</u></u>	<u><u>\$ 48,733,904</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Cash overdraft	\$ -	\$ 23,940
Related party payable	93,959	33,579
Accounts payable	63	14,295
Accrued compensation payable	<u>16,614</u>	<u>14,339</u>
Total liabilities	<u>110,636</u>	<u>86,153</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,193,916	2,693,224
With donor restrictions		
Purpose restrictions	37,157,468	24,924,795
Time-restricted for future periods	<u>34,702,988</u>	<u>21,029,732</u>
Total net assets	<u>75,054,372</u>	<u>48,647,751</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 75,165,008</u></u>	<u><u>\$ 48,733,904</u></u>

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

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF ACTIVITIES
Year Ended August 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Contributions	\$ 320,491	\$ 16,565,191	\$ 16,885,682
Investment income, net	632,383	11,254,144	11,886,527
Oil and gas income	-	59,064	59,064
Miscellaneous revenue	-	2,013	2,013
Total revenue	<u>952,874</u>	<u>27,880,412</u>	<u>28,833,286</u>
Net assets released from restrictions - satisfaction of time or purpose restrictions	<u>1,974,483</u>	<u>(1,974,483)</u>	<u>-</u>
Total revenue	<u>2,927,357</u>	<u>25,905,929</u>	<u>28,833,286</u>
EXPENSES			
Program services:			
Grants and program services	1,433,227	-	1,433,227
Institutional activities	<u>402,747</u>	<u>-</u>	<u>402,747</u>
Total program services	<u>1,835,974</u>	<u>-</u>	<u>1,835,974</u>
Supporting services:			
Management and general	567,756	-	567,756
Fundraising	<u>22,935</u>	<u>-</u>	<u>22,935</u>
Total supporting services	<u>590,691</u>	<u>-</u>	<u>590,691</u>
Total operating expenses	<u>2,426,665</u>	<u>-</u>	<u>2,426,665</u>
Nonoperating gains	<u>500,692</u>	<u>25,905,929</u>	<u>26,406,621</u>
CHANGE IN NET ASSETS	500,692	25,905,929	26,406,621
NET ASSETS, BEGINNING OF YEAR	<u>2,693,224</u>	<u>45,954,527</u>	<u>48,647,751</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,193,916</u></u>	<u><u>\$ 71,860,456</u></u>	<u><u>\$ 75,054,372</u></u>

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF ACTIVITIES, CONTINUED
Year Ended August 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT			
Contributions	\$ 184,976	\$ 2,015,952	\$ 2,200,928
Investment income, net	329,251	5,875,226	6,204,477
Oil and gas income	-	48,220	48,220
Miscellaneous revenue	-	12,033	12,033
Special events, less direct cost of \$6,314	(4,814)	-	(4,814)
Total revenue	509,413	7,951,431	8,460,844
Net assets released from restrictions - satisfaction of time or purpose restrictions	1,999,479	(1,999,479)	-
Total revenue	2,508,892	5,951,952	8,460,844
EXPENSES			
Program services:			
Grants and program services	1,539,735	-	1,539,735
Institutional activities	296,296	-	296,296
Total program services	1,836,031	-	1,836,031
Supporting services:			
Management and general	411,229	-	411,229
Fundraising	43,305	-	43,305
Total supporting services	454,534	-	454,534
Total operating expenses	2,290,565	-	2,290,565
Nonoperating gains	218,327	5,951,952	6,170,279
CHANGE IN NET ASSETS	218,327	5,951,952	6,170,279
NET ASSETS, BEGINNING OF YEAR	2,474,897	40,002,575	42,477,472
NET ASSETS, END OF YEAR	<u>\$ 2,693,224</u>	<u>\$45,954,527</u>	<u>\$ 48,647,751</u>

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

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donors	\$ 2,976,118	\$ 1,486,554
Receipts from oil and gas properties	59,064	48,220
Receipts from special events	-	1,500
Receipts from miscellaneous revenue	(5,531)	12,855
Payments of scholarships	(1,226,203)	(1,171,335)
Payments of grants	(207,024)	(368,400)
Payments for salaries, benefits and payroll taxes	(287,920)	(250,999)
Payments to suppliers for goods or services	(545,642)	(547,498)
Net cash provided (used) by operating activities	<u>762,862</u>	<u>(789,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(18,295,763)	(7,634,821)
Proceeds from maturities and sales of investments	3,103,586	7,614,829
Distributions from Private Equity Funds	328,238	164,559
Distributions from Private Credit Funds	156,051	-
Distributions from Private Markets Funds	375,334	-
(Addition to) Withdrawals from endowments	-	(56,580)
Restricted investment income	4,611	4,573
Net cash provided (used) by investing activities	<u>(14,327,943)</u>	<u>92,560</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions and transfers to endowment	<u>13,673,256</u>	<u>609,473</u>
Net cash provided by financing activities	<u>13,673,256</u>	<u>609,473</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,175	(87,070)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(23,940)</u>	<u>63,130</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 84,235</u></u>	<u><u>\$ (23,940)</u></u>

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF CASH FLOWS, CONTINUED
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of net operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ 26,406,621	\$ 6,170,279
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Net realized (gain) loss on investments	(1,423,360)	(189,370)
Net unrealized (gain) loss on investments	(10,044,624)	(5,635,577)
Contributions and transfers to endowment	(13,673,256)	(609,473)
Releases from endowments	-	56,580
Investments income - restricted	(4,611)	(4,573)
Noncash dividends	(540,487)	(595,610)
Depreciation	1,700	1,699
Changes in:		
Promises to give	-	1,000
Accounts receivable	(7,544)	822
Payables to related parties	60,380	11,681
Accounts payable	(14,232)	10,196
Accrued compensation payable	2,275	(6,757)
Net cash used by operating activities	<u><u>\$ 762,862</u></u>	<u><u>\$ (789,103)</u></u>
Non-Cash Transactions		
Net change in fair value investments	\$ 10,044,624	\$ 5,635,577
Contributed services and in-kind facilities use	236,308	125,404

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

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended August 31, 2021

	Grants & Program Services	Institutional Activities	Total Program Services	Management & General	Fundraising Activities	Total Supporting Services	Total
Salaries	\$ -	\$ 112,140	\$ 112,140	\$ 219,164	\$ -	\$ 219,164	\$ 331,304
Employee benefits	-	26,791	26,791	67,988	-	67,988	94,779
Payroll tax	-	1,630	1,630	3,043	-	3,043	4,673
Total employment expenses	-	140,561	140,561	290,195	-	290,195	430,756
Grants and other assistance	14,047	-	14,047	-	-	-	14,047
Scholarships	1,226,203	-	1,226,203	-	-	-	1,226,203
Grants to Amarillo College	192,977	-	192,977	-	-	-	192,977
Occupancy	-	-	-	19,200	-	19,200	19,200
Professional services	-	22,066	22,066	-	-	-	22,066
Legal & Accounting	-	-	-	17,070	-	17,070	17,070
Marketing	-	-	-	-	1,737	1,737	1,737
Office expenses	-	42,621	42,621	18,408	3,946	22,354	64,975
Information technology	-	27,662	27,662	43,481	-	43,481	71,143
Travel & Meals	-	2,324	2,324	939	-	939	3,263
Meetings	-	-	-	-	290	290	290
Insurance	-	-	-	-	-	-	-
Depreciation	-	-	-	1,700	-	1,700	1,700
Institutional support	-	26,691	26,691	-	7,532	7,532	34,223
In-Kind Expense - Services	-	-	-	173,627	-	173,627	173,627
Other Expenses	-	140,822	140,822	3,136	9,430	12,566	153,388
TOTAL EXPENSES	\$ 1,433,227	\$ 402,747	\$ 1,835,974	\$ 567,756	\$ 22,935	\$ 590,691	\$ 2,426,665

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
STATEMENTS OF FUNCTIONAL EXPENSES, CONTINUED
Year Ended August 31, 2020

	Grants & Program Services	Institutional Activities	Total Program Services	Management & General	Fundraising Activities	Total Supporting Services	Total
Salaries	\$ -	\$ 22,239	\$ 22,239	\$ 178,954	\$ -	\$ 178,954	\$ 201,193
Employee benefits	-	3,768	3,768	62,834	-	62,834	66,602
Payroll tax	-	316	316	2,454	-	2,454	2,770
Total employment expenses	-	26,323	26,323	244,242	-	244,242	270,565
Grants and other assistance	9,654	-	9,654	-	-	-	9,654
Scholarships	1,171,335	-	1,171,335	-	-	-	1,171,335
Grants to Amarillo College	358,746	-	358,746	-	-	-	358,746
Occupancy	-	-	-	19,200	-	19,200	19,200
Professional services	-	40,492	40,492	-	-	-	40,492
Legal & Accounting	-	-	-	18,465	-	18,465	18,465
Marketing	-	450	450	-	-	-	450
Office expenses	-	47,168	47,168	17,673	9,952	27,625	74,793
Travel & Meals	-	20,563	20,563	-	-	-	20,563
Meetings	-	-	-	-	347	347	347
Insurance	-	-	-	2,404	-	2,404	2,404
Depreciation	-	-	-	1,699	-	1,699	1,699
Institutional support	-	42,843	42,843	-	375	375	43,218
In-Kind Expense - Services	-	-	-	106,204	-	106,204	106,204
Other Expenses	-	118,457	118,457	1,342	32,631	33,973	152,430
TOTAL EXPENSES	\$ 1,539,735	\$ 296,296	\$ 1,836,031	\$ 411,229	\$ 43,305	\$ 454,534	\$ 2,290,565

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

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Amarillo College Foundation, Incorporated (the Foundation) is a nonprofit organization founded in 1962 to function as a legal conduit for the acceptance, investment and distribution of private gifts and grants given for the funding of activities and programs primarily related to the mission, role and scope of Amarillo College (the College). The Board of Directors of the Foundation is composed of no more than 33 directors including three members of the Amarillo College Board of Regents, the President and the Vice President of Business Affairs of Amarillo College and other selected members of the Foundation who are not directly affiliated with Amarillo College.

During 2020, the management structure and focus of the Foundation changed and the College management determined that in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14*, the Foundation is considered to be a component unit of the College because of the nature and significance of its relationship with the College. The economic resources received or held by the Foundation are almost entirely for the direct benefit of the College; the College is entitled to, or can otherwise access, a majority of these resources; and the resources received or held by the Foundation are significant to the College.

Basis of Accounting

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, *Not-for-Profit Entities: Presentation of Financial Statements* (or ASC 958-205), and is required to report information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions. In addition, the Foundation is required to present a statement of cash flows.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions

- Net assets that are not subject to any donor-imposed stipulations.

Net assets with donor restrictions

- *Purpose restrictions* – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Foundation or the passage of time.
- *Time-restricted for future periods* – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Foundation. Generally, the donors permit the Foundation to use all or part of the income earned for either general or donor-specified purposes.

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of fair value of financial instruments, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In accordance with FASB ASC Subtopic 958-320, *Not-for-Profit Entities: Investments* (or ASC 958-320) and Subtopic 958-225, *Not-for-Profit Entities: Income Statement* (or ASC 958-225), marketable equity and all debt securities are recorded at fair value and the realized and unrealized gains and losses on investments are recorded as increases or decreases in net assets based upon donor-imposed restrictions or applicable law.

The fair values of marketable equity and marketable debt securities are based on quoted market prices. The historical cost of money market funds and certificates of deposit approximates fair value because of the short maturity of those instruments. Other investments' fair values are generally estimated to approximate amortized cost.

For investments with limited marketability, including investments in certain partnerships, the Foundation has adopted the concept of "practical expedient," under which investments are stated at estimated fair value using net asset values as provided by the general partners and fund managers and as reviewed by management. These net asset values are based on underlying securities and holdings, which may be valued at quoted market prices comparable investments, appraised values, or discounted cash flows. As a practical expedient to determine fair value, investments in fund of funds, private global equity funds and private market funds (alternative investments) are reported using net asset values of the underlying funds as provided by the individual fund managers. The managers of the alternative investments reserve the right to adjust the reported net asset value if it is deemed not to be reflective of fair value. Because of the inherent uncertainty of valuations of investments in the underlying funds, their estimated values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the difference could be material. Management relies upon the audited financial statements of the alternative investments performed by third-party auditors.

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Interest and dividend income is presented net of investment advisory/management fees and is reflected in "Investment income, net" in the Statements of Activities.

Investment income is reported as without donor restrictions unless otherwise restricted by the donor or required by accounting convention. All appreciation/depreciation earned on investments is reported as a change in net assets without donor restrictions unless otherwise restricted by the donor, applicable law, or accounting convention.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation. The capitalization policy includes items valued at \$5,000 or more and a useful life of greater than two years. The costs of normal maintenance and repairs that do not add to the asset or materially extend the assets' lives are charged to operating expense in the year in which the expense is incurred.

Depreciation/amortization is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

Computer software	5 years
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Oil and Gas Properties

Oil and gas properties are recorded at estimated fair value at date of gift.

Contributions and Revenue Recognition

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: *Clarifying the scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605) as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

The Foundation reports contributions in the With donor restrictions – purpose restriction or With donor restriction – time-restricted for future periods net asset class if they are received With donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, With donor restriction - purpose restriction net assets are released and reclassified to Without donor restriction net assets in the Statements of Activities. Donor-restricted contributions are initially reported in the With donor restriction - purpose restriction net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Unconditional promises to give are required to be recorded when received and such contributions are required to be reported as With donor restrictions – purpose restriction or With donor

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Revenue Recognition (Continued)

restriction – time restricted for a specific purpose and are the reclassified to Without donor restriction net assets upon satisfaction of donor restrictions. All unconditional promises to give are primarily due in five years or less and are expected to be fully collectible.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in Without donor restriction net assets unless their use is restricted by explicit donor stipulation or by law.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. Costs are allocated between grants and program services, institutional activities, management and general, or fundraising based on evaluations of the related activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Income Tax Status

The Foundation, a nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code, is exempt from paying income taxes pursuant to Section 501(a) of the Code, except to the extent it has unrelated business taxable income. The Foundation is not classified by the Internal Revenue Service (IRS) as a private foundation. The Foundation believes that it has taken no significant uncertain tax positions.

The Foundation's Federal tax returns for 2018, 2019 and 2020 are subject to examination by the Internal Revenue Service generally for three years after they were filed.

Services Received from a Related Party

The Foundation receives accounting services from employees of the College, and the value of these services is measured by the Foundation at the cost recognized by the College for the personnel providing such services. The Foundation recognized in-kind contribution revenue and an offsetting in-kind expense, located in management and general operating expense, of approximately \$174,000 and \$106,000 for the years ended August 31, 2021 and 2020, respectively.

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal that are not subject to donor or other contractual restrictions, including cash, marketable debt, equity securities and selected alternative investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all potential expenditures related to its ongoing activities of grant making and strategic communications as well as the conduct of functions performed in support of these activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation has access to dividend and interest proceeds and any capital gains generated from long-term investments transactions, both of which could contribute to the funding of general expenditures.

The following financial assets could readily be made available within one year of the Statements of Financial Position date to meet general expenditures as of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 84,235	\$ -
Money market mutual funds	12,498	33,948
Mutual funds/exchange traded funds	<u>16,672,791</u>	<u>11,901,288</u>
Total Assets available	<u>\$ 16,769,524</u>	<u>\$ 11,935,236</u>

NOTE 3 - INVESTMENTS

A summary of investments at August 31, 2021 and 2020 follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<u>August 31, 2021</u>			
Money market mutual funds	\$ 12,498	\$ 12,498	\$ -
Mutual funds/exchange traded funds	14,847,492	16,672,791	1,825,299
Private global equity fund	30,177,214	42,424,100	12,246,886
Private equity fund of funds	948,217	1,910,278	962,061
Fund of hedge funds - absolute return	5,306,704	7,745,280	2,438,576
Private markets fund	2,249,775	3,535,861	1,286,086
Private credit fund of funds	1,609,041	1,906,530	297,489
Private equity fund	249,277	272,285	23,008
Total	<u>\$ 55,400,218</u>	<u>\$ 74,479,623</u>	<u>\$ 19,079,405</u>

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
August 31, 2021 and 2020

NOTE 3 - INVESTMENTS (CONTINUED)

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<u>August 31, 2020</u>			
Money market mutual funds	\$ 33,948	\$ 33,948	\$ -
Mutual funds	10,825,434	11,901,288	1,075,854
Private global equity fund	19,650,000	24,832,541	5,182,541
Private equity fund of funds	923,007	1,405,662	482,655
Fund of hedge funds - absolute return	4,750,000	6,798,735	2,048,735
Private markets fund	1,604,078	1,849,074	244,996
Private credit fund of funds	1,317,350	1,317,350	-
Total	<u>\$ 39,103,817</u>	<u>\$ 48,138,598</u>	<u>\$ 9,034,781</u>

The Foundation invests in various investment instruments which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, changes in the value of investment securities may have occurred subsequent to year end that could materially affect the amounts reported in the Statements of Financial Position.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Foundation adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, as guidance on fair value measurements. The standard established a three-level valuation hierarchy for disclosure based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). An asset's fair value measurement level within the hierarchy is based on the lowest level of input that is significant to the valuation.

The three levels are defined as follows:

- Level 1 – Quoted or published prices for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

are used only when Level 1 or Level 2 inputs were not available. In accordance with ASU-2015-17, investments for which fair value is measured using net asset value have not been categorized within the fair value hierarchy.

For the valuation of certain mutual funds and exchange-traded funds at August 31, 2021 and 2020, the Foundation used quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

Assets Measured at Fair Value on a Recurring Basis

		Fair Value Measurements Using:			
		Quoted Prices in Active Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)	Measured at NAV (1)
August 31, 2021:	Fair Value				
Money market mutual funds	\$ 12,498	\$ 12,498	\$ -	\$ -	\$ -
Mutual funds/exchange traded funds	16,672,791	16,672,791	-	-	-
Private global equity fund	42,424,100	-	-	-	42,424,100
Private equity fund of funds	1,910,278	-	-	-	1,910,278
Fund of hedge funds - absolute return	7,745,280	-	-	-	7,745,280
Private markets fund	3,535,861	-	-	-	3,535,861
Private credit fund of funds	1,906,530	-	-	-	1,906,530
Private equity fund	272,285	-	-	-	272,285
	<u>\$ 74,479,623</u>	<u>\$ 16,685,289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,794,334</u>

(1) Investments measured at NAV as the practical expedient are excluded from the fair value hierarchy. These amounts are presented here to facilitate reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

		Fair Value Measurements Using:			
		Quoted Prices in Active Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Inputs (Level 3)	Measured at NAV (1)
August 31, 2020:	Fair Value				
Money market mutual funds	\$ 33,948	\$ 33,948	\$ -	\$ -	\$ -
Mutual funds	11,901,288	11,901,288	-	-	-
Private global equity fund	24,832,541	-	-	-	24,832,541
Private equity fund of funds	1,405,662	-	-	-	1,405,662
Fund of hedge funds - absolute return	6,798,735	-	-	-	6,798,735
Private markets fund	1,849,074	-	-	-	1,849,074
Private credit fund of funds	1,317,350	-	-	-	1,317,350
	<u>\$ 48,138,598</u>	<u>\$ 11,935,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,203,362</u>

The Foundation's policy is to recognize transfers between Levels 1, 2 and 3 and transfers due to strategy reclassifications, if any, as if the transfer occurred at the beginning of the year. For the years ended August 31, 2021 and 2020, the Foundation had no transfers.

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NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**Fair Value Measurements Using Significant Unobservable Inputs**

The following summarizes the nature and risk of those investments that are reported at estimated fair value utilizing net asset value as of August 31, 2021 and 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
August 31, 2021:				
Fund of hedge funds –				
absolute return (a)	\$ 7,745,280	\$ -	Quarterly	90 Days
Private equity fund of funds (b) (g)	1,910,278	184,500	N/A	N/A
Private global equity fund (e)	42,424,100	-	N/A	Monthly w/ 16 Business days
Private markets fund (c) (d) (g)	3,535,861	3,224,971	N/A	N/A
Private credit fund of funds (f) (g)	1,906,530	7,365,110	N/A	N/A
Private equity fund (h)	<u>272,285</u>	<u>-</u>	Monthly	6 Business days
Totals	<u>\$57,794,334</u>	<u>\$10,774,581</u>		
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
August 31, 2020:				
Fund of hedge funds –				
absolute return (a)	\$ 6,798,735	\$ -	Quarterly	90 Days
Private equity fund of funds (b) (g)	1,405,662	252,000	N/A	N/A
Private global equity fund (e)	24,832,541	-	N/A	Monthly w/ 16 Business days
Private markets fund (c) (d) (g)	1,849,074	1,445,309	N/A	N/A
Private credit fund of funds (f) (g)	<u>1,317,350</u>	<u>2,687,267</u>	N/A	N/A
Totals	<u>\$36,203,362</u>	<u>\$ 4,384,576</u>		

- (a) The strategies of the underlying hedge funds in this category include long/short equity, multi-strategy, credit, and global macro. The portfolio managers may utilize leverage, engage in short-selling, access the option and future markets, and engage in a wide variety of over-the-counter derivative transactions. Some funds may invest in illiquid investments, which are typically segregated into "side pockets" (sub funds within the investment fund) and are not available for redemption until the investment is liquidated by the manager.

Certain investments in this category have gate provisions, which allow a manager to limit redemptions despite the normal liquidity provisions if they receive redemptions in excess of the gate (a level stated in their governing documents). Several of the underlying hedge funds contain lock-up periods of up to one year. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

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NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurements Using Significant Unobservable Inputs (Continued)

- (b) The strategies of the private equity fund of funds are to offer the mix of primary, secondary, and direct co-investments which is expected to accelerate capital deployment while seeking to generate both early and long-term performance. This diversified global fund of funds invests in a combination of primary partnerships, secondary investments, and direct co-investments. Private equity investments are defined in the partnership agreement as investments in buyout, growth equity, venture capital, distressed debt, special situation recapitalization, and other private equity transactions. No limited partner may assign or otherwise transfer all or any part in the Partnership to another entity unless the General Partner has consented to the transfer in writing in accordance with the partnership agreement. The Partnership is scheduled to terminate on June 30, 2024. The General Partner may extend the Partnership for up to three one-year periods. The fair values of the investment in this category have been estimated using the net asset value per share of the investment.
- (c) The strategies of the Private markets funds are to achieve attractive risk-adjusted returns that are not highly correlated with traditional asset classes by investing in investment funds advised by investment managers primarily pursuing private equity, real estate, private debt and/or real assets strategies and co-investments into direct investments in equity or debt alongside portfolio funds or other direct investments in equity or debt. The funds maintain clawback provisions for all partners.
- (d) This nonmarketable fund does not permit redemptions. The timing of the return of capital is at the manager's discretion, subject to provisions documented in limited partnership agreements. In general, capital and realized gains are distributed to investors when an investment is liquidated. It is estimated that the term of the fund will be ten years following final closing of the fund. However, the general partner in its sole discretion may extend the term of the Fund for up to four one-year extensions and may further extend the term of the Fund in the event the Portfolio has not been liquidated.
- (e) The strategy of the Fund is to achieve attractive risk-adjusted returns versus its benchmark index by investing assets with a group of independent investments managers primarily pursuing long-only public equity strategies.
- (f) The strategies of the private credit funds of funds are to achieve attractive risk-adjusted returns by primarily pursuing credit-oriented investment strategies. The Funds are permitted to make such investments in independent investment funds or account advised by investment managers and/or by investing in co-investments into direct investments in equity or debt alongside portfolio funds or other direct investments in equity or debt.
- (g) These funds do not permit redemptions.

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NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**Fair Value Measurements Using Significant Unobservable Inputs (Continued)**

- (h) The strategy of the private equity fund is to seek to create a balanced product with diversified exposure to alternative investments, commodities, stocks, and bonds. The fund will seek to generate attractive returns while protecting capital by balancing diversified exposures to various asset classes and minimizing over-exposure to any one asset class.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the estimated fair value of investments reported in the Statements of Financial Position as of August 31, 2021 and 2020.

A summary of investments classified according to any restrictions at August 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Without donor-restrictions investments	\$ 3,204,553	\$ 2,769,457
With donor-restrictions investments:		
Purpose restriction	37,157,468	24,924,795
Time-restricted for a specific purpose	<u>34,117,602</u>	<u>20,444,346</u>
Total with donor-restrictions investments	<u>71,275,070</u>	<u>45,369,141</u>
Total investments	<u>\$74,479,623</u>	<u>\$48,138,598</u>

Assets Measured at Fair Value on a Nonrecurring Basis

There were no fair values of assets and liabilities measured on a nonrecurring basis at August 31, 2021 and 2020.

NOTE 5 - COMPUTER SOFTWARE

A summary of computer software as of August 31, follows:

	<u>2021</u>	<u>2020</u>
Computer software	\$ 143,679	\$ 143,679
Less accumulated depreciation	<u>(140,419)</u>	<u>(138,719)</u>
Temporarily restricted	<u>\$ 3,260</u>	<u>\$ 4,960</u>

Depreciation expense for the years ended August 31, 2021 and 2020 was \$1,700 and \$1,699, respectively.

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NOTE 6 - COMPENSABLE ABSENCES

Foundation employees receive the same benefits as Amarillo College (College) employees including compensable absences. Full-time employees earn annual leave from eight to twelve hours per month depending on the number of years employed with the Foundation. The Foundation's policy is that an employee may carry his accrued leave forward from one fiscal year to another fiscal year with a maximum number of hours up to 160 for those employees with five or less years of service, up to 200 hours for those employees with more than five years but under ten years of service, and up to 240 hours for those employees with more than ten years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. The Foundation recognized the accrued liability for the unpaid annual leave in the amount of \$16,614 and \$14,339 as of August 31, 2021 and 2020, respectively. Sick leave, which can be accumulated up to 120 days, is earned at the rate of eight hours per month; however, sick leave is not paid at termination. The Foundation's policy is to recognize the cost of sick leave when utilized by employees.

NOTE 7 - OIL AND GAS PROPERTIES

During fiscal year 2001, a living trust (the Trust) elected to contribute certain oil and gas properties to the Foundation. In 2020, the Foundation wrote off approximately \$89,000 in costs associated with returned working interests that were not producing. The remaining cost of the properties owned is \$585,386. The Foundation received approximately \$59,000 and \$48,000 during the years ended August 31, 2021 and 2020, respectively, for oil and gas income related to the properties. During the years ended August 31, 2021 and 2020, the Foundation distributed approximately \$14,000 and \$10,000, respectively, of the oil and gas income received to another nonprofit entity.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are presented on the Statements of Financial Position in restricted cash and cash equivalents with donor restrictions, property and equipment, and endowment funds. The changes in net assets with donor restrictions as well as the amounts available at August 31, 2021 and 2020 for the following purposes are as follows:

	August 31, 2020	Additions	Releases	August 31, 2021
Net assets restricted for specified purpose:				
Scholarships	\$ 17,048,893	\$ 8,624,833	\$ (1,159,709)	\$ 24,514,017
Programs/Other specific purposes	<u>7,875,902</u>	<u>5,582,323</u>	<u>(814,774)</u>	<u>12,643,451</u>
Total subject to specified purpose	<u>24,924,795</u>	<u>14,207,156</u>	<u>(1,974,483)</u>	<u>37,157,468</u>

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NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	August 31, 2020	Additions	Releases	August 31, 2021
Net assets restricted for perpetual in nature:				
Scholarships	19,021,029	567,456	-	19,588,485
Programs/Other specific purposes	2,008,703	13,105,800	-	15,114,503
Total perpetual in nature	21,029,732	13,673,256	-	34,702,988
Net assets with donor restrictions	\$ 45,954,527	\$ 27,880,412	\$ (1,974,483)	\$ 71,860,456

	August 31, 2019	Additions	Releases	August 31, 2020
Net assets restricted for specified purpose:				
Scholarships	\$ 13,213,838	\$ 4,929,801	\$ (1,094,746)	\$ 17,048,893
Programs/Other specific purposes	6,368,478	2,355,577	(848,153)	7,875,902
Total subject to specified purpose:	19,582,316	7,285,378	(1,942,899)	24,924,795
Net assets restricted for perpetual in nature:				
Scholarships	18,411,656	665,953	(56,580)	19,021,029
Programs/Other specific purposes	2,008,603	100	-	2,008,703
Total perpetual in nature	20,420,259	666,053	(56,580)	21,029,732
Net assets with donor restrictions	\$ 40,002,575	\$ 7,951,431	\$ (1,999,479)	\$ 45,954,527

NOTE 9 - THE SYBIL B. HARRINGTON SCHOLARSHIP FUND

On December 27, 1989, Sybil B. Harrington established the Sybil B. Harrington Scholarship Fund at the Foundation. It is an endowment fund to provide scholarships to academically deserving high school graduates from the northern 26 counties of Texas and Amarillo College graduates.

Annually, five percent of the income will be retained and contributed to the corpus of the fund, until such time as the corpus reaches \$5,000,000. Income from the funds in excess of the 5% is to be allocated 80% for scholarships to eligible high school graduates to attend accredited Texas colleges and universities other than Amarillo College, 10% for scholarships to eligible Amarillo College applicants, and 10% for scholarships to eligible Amarillo College graduates.

During the years ended August 31, 2021 and 2020, the Foundation awarded approximately \$224,000 and \$209,000 respectively, in scholarships from this fund. As of August 31, 2021 and 2020, the total net assets are approximately \$8,885,000 and \$7,428,000, respectively.

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NOTE 10 - ENDOWMENTS

Effective September 1, 2007, the State of Texas enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date.

FASB ASC Subtopic 958-205, *Not-for-Profit: Financial Statement*, (ASC 958-205) provides guidance on the net asset classification of donor-restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of donor-restricted endowment funds and does not include any funds designated by the Board of Directors to function as endowments. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Based on the interpretation of UPMIFA by the Board of Directors of the Foundation, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, 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 subject to permanent donor restrictions is classified as net assets with donor restrictions 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 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 possible effect of inflation and deflation
- 5) the expected total return from income and the appreciation of investments
- 6) other resources of the Foundation
- 7) the investment policies of the Foundation

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NOTE 10 - ENDOWMENTS (CONTINUED)**Interpretation of Relevant Law (Continued)**

Net asset classification by type of endowment as of August 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>August 31, 2021</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 34,702,988	\$ 34,702,988
Accumulated investment gain	-	21,923,870	21,923,870
	<u>\$ -</u>	<u>\$ 56,626,858</u>	<u>\$ 56,626,858</u>

Changes in endowment net assets for the year ended August 31, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>August 31, 2021</u>			
Endowment net assets, August 31, 2020	\$ -	\$ 35,457,881	\$ 35,457,881
Investment return	-	1,365,451	1,365,451
Net appreciation	-	7,237,865	7,237,865
Total investment return	-	8,603,316	8,603,316
Contributions	-	13,668,645	13,668,645
Reclassification	-	1	1
Appropriation of endowment assets for expenditure	-	(1,102,985)	(1,102,985)
Endowment net assets, August 31, 2021	<u>\$ -</u>	<u>\$ 56,626,858</u>	<u>\$ 56,626,858</u>

Net asset classification by type of endowment as of August 31, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>August 31, 2020</u>			
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 21,029,732	\$ 21,029,732
Accumulated investment gain	-	14,428,149	14,428,149
	<u>\$ -</u>	<u>\$ 35,457,881</u>	<u>\$ 35,457,881</u>

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NOTE 10 - ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended August 31, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
August 31, 2020			
Endowment net assets,			
August 31, 2019	\$ -	\$ 31,218,359	\$ 31,218,359
Investment return	-	573,126	573,126
Net appreciation	-	4,104,292	4,104,292
Total investment return	-	4,677,418	4,677,418
Contributions	-	654,676	654,676
Reclassification	-	(11,976)	(11,976)
Appropriation of endowment assets for expenditure	-	(1,080,596)	(1,080,596)
Endowment net assets,			
August 31, 2020	<u>\$ -</u>	<u>\$ 35,457,881</u>	<u>\$ 35,457,881</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the fund. There were no deficiencies of this nature as of August 31, 2021 and 2020.

Return Objectives and Risk Parameters

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 historical dollar value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Foundation currently expects its endowment funds, over time, to provide total investment rate of return over the long term which exceeds the rate of inflation as measured by the Consumer Price Index (CPI) by at least 3%. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return 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 that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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NOTE 10 - ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy which allows for appropriating expenditures each year up to 4.25% for both fiscal year 2020 and 2021 of its endowment fund's average fair value over the prior five years through the calendar year-end preceding the fiscal year in which the expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

NOTE 11 - TRANSACTIONS WITH AFFILIATES

The primary purpose of the Foundation is to support the educational and other activities of various entities, including the College. The Foundation awards scholarships to eligible students. During the years ended August 31, 2021 and 2020, the Foundation awarded approximately \$1,424,000 and \$1,354,000 respectively, to students of the College.

In addition, the College provides the Foundation with facilities in which to conduct the Foundation's business. The Foundation recognized \$19,200 as facility costs in 2021 and 2020.

Amarillo College provides payroll services for four Foundation employees. These employees are afforded the same benefits as College employees. During the years ended August 31, 2021 and 2020, the Foundation reimbursed the College approximately \$431,000 and \$271,000, respectively, for salaries and benefits.

The Foundation will accept contributions of non-financial assets. Additionally, they accept contributions that are restricted to the purchasing of equipment. However, these contributions are transferred upon receipt to the College. In all cases the donor has specified the College as the beneficiary of these contributions. The Foundation reports these contributions in "Contributions" and the transfer to the College as a "Grant" expense on the Statements of Activities.

During 2019/2020, the Foundation awarded grants of approximately \$359,000 to the College for the purpose of purchasing large equipment and supplies. During 2020/2021, the Foundation awarded grants of approximately \$193,000 to the College for the purpose of institutional activities.

NOTE 12 - RISKS AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

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NOTE 13 - CONTINGENCIES

The Foundation may receive matching grants from time to time. Costs charged to these programs are subject to audit and adjustment by the grantor agency. In the opinion of the Foundation's management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 14 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance supersedes existing guidance on accounting for leases with the main difference being that operating leases are to be recorded in the statement of financial position as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. For operating leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. For non-public business entities, the guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early application of the guidance is permitted. In transition, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Management is evaluating the new guidance but does not expect the adoption of this guidance to have a material impact on the Foundation's financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU intends to improve the effectiveness of disclosures in the notes to financial statements by modifying disclosure requirements for fair value measurements. The ASU is effective for the Foundation for annual and interim reporting periods beginning after December 15, 2019 with early adoption permitted. The Foundation has implemented this pronouncement in the current year.

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This ASU modifies the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (i.e., removed from a collection). If a collection holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The adoption of the pronouncement did not have a material impact on the Foundation's financial position or results of operations.

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments- Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*, which clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the guidance in Topic 815, which could change how an entity accounts for an equity security under the measurement alternative or a forward contract or

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NOTE 14 - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, *Financial Instruments*. These amendments improve current GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Foundation is currently evaluating the impact that ASU 2020-01 will have on its financial statements.

In March 2020, the FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments*, which is part of the FASB's ongoing Codification improvement project aimed at clarifying specific areas of accounting guidance to help avoid unintended application. The items addressed in that project generally are not expected to have a significant effect on current accounting practice or create a significant administrative cost for most entities. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted. The adoption of the pronouncement did not have a material impact on the Foundation's financial position or results of operations.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Not-for-profit entities will now be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Not-for-profits will be required to disclose various information related to contributed nonfinancial assets. The amendments in the Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact that this pronouncement will have on its financial statements.

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*, which is part of the FASB's ongoing Codification improvement project aimed at clarifying specific areas of accounting guidance to help avoid unintended application. The items addressed in that project generally are not expected to have a significant effect on current accounting practice or create a significant administrative cost for most entities. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years beginning after December 15, 2022. Early application is permitted. Management is evaluating the new guidance but does not expect the adoption of this guidance to have a material impact on the Foundation's financial position or results of operations.

THE AMARILLO COLLEGE FOUNDATION, INCORPORATED
(A Texas Nonprofit Foundation & Component Unit of Amarillo College)
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 - ACCOUNTING STANDARDS IMPLEMENTED

During fiscal year 2020, the Foundation changed the method of reporting their cash flows from the indirect method to the direct method. This is in conformity with ASU No. 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*.

NOTE 16 - SUBSEQUENT EVENT

The Foundation has evaluated for inclusion as a subsequent event disclosure only those events that occurred prior to January 13, 2022, the date that the financial statements were available to be issued. There were no events that require disclosure except as noted below.

In March 2020, the World Health Organization declared the novel strain of coronavirus a “Public Health Emergency of International Concern”. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The extent of the impact on the Foundation’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. The extent to which COVID-19 may impact the Foundation’s subsequent financial condition or results of operations is uncertain.

In November 2021, the Foundation received two pledges of \$1,000,000 and \$500,000 each to be paid out over five years.

This information is an integral part of the accompanying financial statements.