

STATE CENTER COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011  
WITH COMPARATIVE TOTALS FOR 2010

STATE CENTER COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

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# Moore Grider & Company

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

*A Partnership Including  
Accountancy Corporations*

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Accountancy Corporation

Denise S. Hurst, C.P.A.

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Oscar Espinoza, C.P.A.

L. Jerome Moore, C.P.A.  
Retired

Robert E. Grider, C.P.A.  
Retired

Board of Directors  
State Center Community College Foundation  
Fresno, California

We have audited the accompanying statement of financial position of State Center Community College Foundation (the Foundation) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information was derived from the organization's 2010 financial statements; and in our report dated October 29, 2010, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Center Community College Foundation as of June 30, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Moore Grider & Company*

October 20, 2011

STATE CENTER COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011, WITH COMPARATIVE TOTALS FOR 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2011	2010
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ (1,239,443)	\$ 1,756,799	\$ 0	\$ 517,356	\$ 138,566
Receivables	0	0	0	0	17,991
Pledges receivable, net of allowance for uncollectible amounts (Note 2)	0	40,273	0	40,273	90,764
Due from (to) other funds	710,041	(611,643)	(98,398)	0	0
Short-term investments (Note 3)	<u>382,286</u>	<u>260,583</u>	<u>0</u>	<u>642,869</u>	<u>739,706</u>
<b>TOTAL CURRENT ASSETS</b>	<b>(147,116)</b>	<b>1,446,012</b>	<b>(98,398)</b>	<b>1,200,498</b>	<b>987,027</b>
PLEDGES RECEIVABLE, net of current portion (Note 2)	0	9,867	0	9,867	27,672
LONG-TERM INVESTMENTS (Note 3)	<u>361,916</u>	<u>4,685,931</u>	<u>6,245,470</u>	<u>11,293,317</u>	<u>10,643,321</u>
<b>TOTAL ASSETS</b>	<b><u>214,800</u></b>	<b><u>6,141,810</u></b>	<b><u>6,147,072</u></b>	<b><u>12,503,682</u></b>	<b><u>11,658,020</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	10,114	453,392	0	463,506	62,443
Annuity agreement liabilities (Note 6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,518</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,114</b>	<b>453,392</b>	<b>0</b>	<b>463,506</b>	<b>64,961</b>
<b>NET ASSETS</b>					
Unrestricted	204,686	0	0	204,686	267,920
Temporarily restricted (Note 7)	0	5,688,418	0	5,688,418	6,105,224
Permanently restricted (Note 7)	<u>0</u>	<u>0</u>	<u>6,147,072</u>	<u>6,147,072</u>	<u>5,219,915</u>
<b>TOTAL NET ASSETS</b>	<b><u>204,686</u></b>	<b><u>5,688,418</u></b>	<b><u>6,147,072</u></b>	<b><u>12,040,176</u></b>	<b><u>11,593,059</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 214,800</u></b>	<b><u>\$ 6,141,810</u></b>	<b><u>\$ 6,147,072</u></b>	<b><u>\$ 12,503,682</u></b>	<b><u>\$11,658,020</u></b>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2011	2010
<b>PUBLIC SUPPORT AND REVENUES</b>					
Contributions	\$ 56,718	\$1,594,896	\$ 0	\$ 1,651,614	\$ 2,138,444
Interest and dividends (Note 3)	6,867	113,079	97,401	217,347	215,171
Realized gain (loss) on sale of investments (Note 3)	120	30,129	18,685	48,934	(21,415)
Unrealized gain on investments (Note 3)	51,797	678,663	909,468	1,639,928	885,241
Net assets released from restrictions:					
Satisfaction of program restrictions (Note 7)	2,931,970	(2,931,970)	0	0	0
Income reallocation (Note 7)	0	98,397	(98,397)	0	0
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>3,047,472</u>	<u>(416,806)</u>	<u>927,157</u>	<u>3,557,823</u>	<u>3,217,441</u>
<b>EXPENSES (Note 8)</b>					
Program services:					
Educational activities	2,594,957	0	0	2,594,957	2,447,800
Scholarships and awards	387,747	0	0	387,747	363,161
	<u>2,982,704</u>	<u>0</u>	<u>0</u>	<u>2,982,704</u>	<u>2,810,961</u>
Management and general	57,996	0	0	57,996	74,760
Fundraising	70,006	0	0	70,006	66,871
<b>TOTAL EXPENSES</b>	<u>3,110,706</u>	<u>0</u>	<u>0</u>	<u>3,110,706</u>	<u>2,952,592</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	(63,234)	(416,806)	927,157	447,117	264,849
<b>NET ASSETS, beginning of year</b>	<u>267,920</u>	<u>6,105,224</u>	<u>5,219,915</u>	<u>11,593,059</u>	<u>11,328,210</u>
<b>NET ASSETS, end of year</b>	<u>\$ 204,686</u>	<u>\$5,688,418</u>	<u>\$6,147,072</u>	<u>\$12,040,176</u>	<u>\$11,593,059</u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 447,117	\$ 264,849
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Contributions for long-term investment	0	(160,019)
Realized (gain) loss on sale of investments	(48,934)	21,415
Unrealized gain on investments	(1,639,928)	(885,241)
Changes in:		
Receivables	17,991	(17,500)
Pledges receivable	68,296	333,638
Accounts payable and accrued liabilities	401,063	31,146
	<u>                    </u>	<u>                    </u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(754,395)</u>	<u>(411,712)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(4,618,606)	(8,880,320)
Proceeds from sale of investments	5,754,309	8,465,660
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED FROM (USED BY) INVESTING ACTIVITIES</b>	<u>1,135,703</u>	<u>(414,660)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on annuity obligations	(2,518)	(8,749)
Contributions restricted for long-term investment	0	160,019
	<u>                    </u>	<u>                    </u>
<b>NET CASH PROVIDED FROM (USED BY) FINANCING ACTIVITIES</b>	<u>(2,518)</u>	<u>151,270</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	378,790	(675,102)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>138,566</u>	<u>813,668</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 517,356</u>	<u>\$ 138,566</u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Center Community College Foundation is incorporated as a nonprofit public benefit auxiliary corporation to provide financial support for scholarship awards and student activities at the campuses of the State Center Community College District.

The following are the significant accounting policies of the organization:

**Method of accounting** - The financial statements are prepared using the accrual basis of accounting, in which support and revenue are recognized when received or earned and expenses are recognized when incurred.

**Tax status** - The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a "publicly supported" organization. Contributions to the Foundation are deductible under Section 170(c)(2). The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2011 and 2010, interest and penalties totaled \$0.

Income tax returns are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

**Cash and cash equivalents** - For purposes of the statements of cash flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Receivables** - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At June 30, 2010 the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

**Pledges Receivable** - Unconditional pledges receivable from donors that are expected to be collected within one year are recorded at net realizable value. Long-term pledges receivable that are expected to be collected in a period beyond one year are recorded at a discount using the present value of their estimated future cash flows. The discounts on long-term pledges receivable are computed using risk-free interest rates

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**Pledges Receivable** (continued)

applicable to the period in which the pledges to give are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that an allowance of \$78,045 and \$56,456 for uncollectible pledges receivable is sufficient as of June 30, 2011 and 2010, respectively.

**Investments:**

Permanently restricted - Each of the four endowments within the group receives separate returns based on its invested portfolio and records the return on its investments in various revenue accounts as reflected in the accompanying statement of activities.

Temporarily restricted and unrestricted - Each activity participating in the investment pool receives its pro rata share of the overall return and records the return on its investments in various revenue accounts as reflected in the accompanying statement of activities.

The investment portfolios of all the funds are carried at fair value at June 30, 2011 and 2010. All investment income is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on temporarily restricted and unrestricted investments are credited to unrestricted net assets, unless otherwise designated by the donor.

**Accounting for contributions** - All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from those investments is expended for the purposes specified by the donors.



STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**Accounting estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative financial information** - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

**Reclassifications** - Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassification had no impact on previously-reported increase in net assets or cash flow information.

NOTE 2: PLEDGES RECEIVABLE

Pledges receivable at June 30, 2011 and 2010 are as follows:

	2011	2010
Pledges receivable	\$ 128,876	\$ 177,172
Less: Unamortized discount	<u>691</u>	<u>2,280</u>
<b>TOTAL</b>	128,185	174,892
Less: Allowance for uncollectible pledges	<u>78,045</u>	<u>56,456</u>
Net pledges receivable	<u><u>\$ 50,140</u></u>	<u><u>\$ 118,436</u></u>
Amounts due in:		
Less than one year	\$ 40,273	\$ 90,764
One to four years	<u>9,867</u>	<u>27,672</u>
	<u><u>\$ 50,140</u></u>	<u><u>\$ 118,436</u></u>

The average discount rate used to calculate the present value of promises to give expected to be collected in periods beyond one year was 7% for the years ended June 30, 2011 and 2010.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 3: INVESTMENTS

The Foundation invests in premium investment grade mutual bond funds and equity securities from companies located throughout the world. The securities are classified as "available for sale" and carried on the financial statements at fair value. Investments at June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	
	FAIR VALUE	UNREALIZED GAIN (LOSS)
<b>SHORT-TERM INVESTMENTS</b>		
<b>Unrestricted</b>		
California Local Agency Investment Fund	\$ 382,286	\$ 0
<b>Temporarily Restricted</b>		
California Local Agency Investment Fund	<u>260,583</u>	<u>0</u>
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b><u>\$ 642,869</u></b>	<b><u>\$ 0</u></b>
<b>LONG-TERM INVESTMENTS</b>		
<b>Unrestricted</b>		
YCM Net Advisors	<u>\$ 361,916</u>	<u>\$ 39,840</u>
<b>Temporarily Restricted</b>		
American Funds	191,695	45,370
YCM Net Advisors	<u>4,494,236</u>	<u>311,913</u>
	<u>4,685,931</u>	<u>357,283</u>
<b>Permanently Restricted</b>		
American Funds	101,463	(46,084)
YCM Net Advisors	<u>6,144,007</u>	<u>1,675,990</u>
	<u>6,245,470</u>	<u>1,629,906</u>
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b><u>\$ 11,293,317</u></b>	<b><u>\$ 2,027,029</u></b>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 3: INVESTMENTS (Continued)

	2010	
	FAIR VALUE	UNREALIZED GAIN (LOSS)
<b>SHORT-TERM INVESTMENTS</b>		
<b>Unrestricted</b>		
California Local Agency Investment Fund	\$ 479,123	\$ 0
<b>Temporarily Restricted</b>		
California Local Agency Investment Fund	<u>260,583</u>	<u>0</u>
<b>TOTAL SHORT-TERM INVESTMENTS</b>	<b><u>\$ 739,706</u></b>	<b><u>\$ 0</u></b>
<b>LONG-TERM INVESTMENTS</b>		
<b>Unrestricted</b>		
YCM Net Advisors	<u>\$ 306,504</u>	<u>\$ (11,957)</u>
<b>Temporarily Restricted</b>		
American Funds	149,989	10,288
YCM Net Advisors	4,858,200	(342,646)
Trusts	<u>2,518</u>	<u>10,978</u>
	<u>5,010,707</u>	<u>(321,380)</u>
<b>Permanently Restricted</b>		
American Funds	77,180	(66,509)
YCM Net Advisors	<u>5,248,930</u>	<u>786,947</u>
	<u>5,326,110</u>	<u>720,438</u>
<b>TOTAL LONG-TERM INVESTMENTS</b>	<b><u>\$10,643,321</u></b>	<b><u>\$ 387,101</u></b>

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**NOTE 3: INVESTMENTS (Continued)**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2011, with comparative totals for 2010:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	
				2011	2010
Interest and dividends, (net of management fees of \$54,205 in 2011 and \$51,393 in 2010)	\$ 6,867	\$ 113,079	\$ 97,401	\$ 217,347	\$ 215,171
Realized gain (loss) on sale of investments	120	30,129	18,685	48,934	(21,415)
Unrealized gain on investments	51,797	678,663	909,468	1,639,928	885,241
	<u>\$ 58,784</u>	<u>\$ 821,871</u>	<u>\$ 1,025,554</u>	<u>\$ 1,906,209</u>	<u>\$ 1,078,997</u>

Interest and dividends (net of management fees) and realized gains (losses) earned on permanently restricted endowments, governed by U.S. Department of Education Title III Regulations, is credited one-half to permanently restricted net assets and the other half is credited to temporarily restricted net assets and available for funding scholarship or student activity needs of the campuses.

**NOTE 4: ENDOWMENTS**

Effective July 1, 2008 the Foundation adopted the provisions established by accounting literature for Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The accounting literature provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2010 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment assets consist of individual funds established to provide financial support to the Foundation in perpetuity. The endowment assets include donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Foundation has interpreted the California 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

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 4: **ENDOWMENTS** (Continued)

**Interpretation of Relevant Law** (continued)

organization 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 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 organization considers the following factors in making a determination to appropriate or accumulate the 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

**Return Objectives and Risk Parameters**

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes premium investment grade mutual bond funds and equity securities, that is intended to result in a consistent inflation-protected rate of return. Accordingly, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 4: **ENDOWMENTS** (Continued)

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation uses a method based upon the total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA).

As of February 22, 2006, the board approved a spending/distribution policy. All endowed scholarship gifts not governed by U.S. Department of Education Title III Regulations shall be managed in accordance with the following spending/distribution policy:

It is the policy of the Foundation to preserve the principal of the endowment fund ("Endowment") and maintain its current and future value, while providing for a consistent volume of annual earnings available to be distributed for scholarship purposes. In this regard, the Endowment shall annually make available for distribution 4.5% of its principal balance as follows: in the quarter that the distribution is to be made, 4.5% of the average quarterly book balance of the Endowment shall be calculated by multiplying 4.5% by the average quarterly book value of the Endowment as determined over the three year period immediately preceding the year in which the distribution is to be made. To the extent that the actual earnings for the year fall short of the 4.5% calculation, available earnings from previous years can be distributed. This 4.5% calculation of distributable earnings shall then be allocated pro rata between all individual endowment accounts based on each individual endowment account's beginning of the year market value, plus current year donations and reinvestments (weighted for the month in which they were made). Earnings shall be defined as dividends, interest, and, to the extent that distributions are not covered by interest and dividends, realized gains. Annually, earnings not distributed pursuant to this policy shall be combined into the Endowment principal.

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 4: **ENDOWMENTS** (Continued)

**Endowment Net Asset Composition by Type of Fund**

At June 30, 2011 and 2010, endowment net assets consist of permanently restricted donor-restricted endowment funds of \$6,147,072 and \$5,219,915, respectively.

**Changes in Endowment Net Assets**

The following schedule shows changes in endowment net assets for the years ended June 30, 2011 and 2010:

	2011	2010
Permanently restricted endowment net assets, beginning of year	<u>\$ 5,219,915</u>	<u>\$ 4,645,011</u>
Investment return		
Interest and dividends, net of expenses	97,401	104,961
Realized gain on sale of investments	18,685	20,784
Unrealized gain on investments	<u>909,468</u>	<u>395,334</u>
Net investment return	1,025,554	521,079
Contributions	0	160,019
Release of endowment earnings for program purposes	<u>(98,397)</u>	<u>(106,194)</u>
Permanently restricted endowment net assets, end of year	<u><u>\$ 6,147,072</u></u>	<u><u>\$ 5,219,915</u></u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 5: FAIR VALUE MEASUREMENTS

The Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) 820 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Quoted prices for identical assets or liabilities traded in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below presents the level within the hierarchy at which assets are measured at June 30, 2011:

	2011			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Pledges receivable	\$ 50,140	\$ 0	\$ 0	\$ 50,140
Available for sale marketable securities				
Bond mutual funds	4,048,224	4,048,224	0	0
Equity mutual funds	6,472,358	6,472,358	0	0
Money market funds	1,415,604	1,415,604	0	0
Total available for sale marketable securities	11,936,186	11,936,186	0	0
	<u>\$ 11,986,326</u>	<u>\$ 11,936,186</u>	<u>\$ 0</u>	<u>\$ 50,140</u>



STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

The table below presents the level within the hierarchy at which assets are measured at June 30, 2010:

	2010			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Pledges receivable	\$ 118,436	\$ 0	\$ 0	\$ 118,436
Available for sale marketable securities:				
Bond mutual funds	3,798,890	3,798,890	0	0
Equity mutual funds	5,841,025	5,841,025	0	0
Money market funds	1,743,112	1,743,112	0	0
Total available for sale marketable securities	11,383,027	11,383,027	0	0
	<u>\$ 11,501,463</u>	<u>\$ 11,383,027</u>	<u>\$ 0</u>	<u>\$ 118,436</u>

A summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2011 and 2010 is presented below:

	2011	2010
<b>Pledges receivable</b>		
Balance, beginning of year	\$ 118,436	\$ 452,074
Additions to pledges receivable	13,290	27,240
Payments on pledges receivable	(58,481)	(360,878)
Provision for doubtful accounts	(24,694)	(7,151)
Discount	1,589	7,151
Balance, end of year	<u>\$ 50,140</u>	<u>\$ 118,436</u>

Level 3 assets are valued using the income approach. Inputs for Level 3 assets are calculated using present value of estimated future cash flows. There were no changes in the valuation techniques during the current year.

NOTE 6: ANNUITY AGREEMENTS

The Foundation has received investment donations in which the donors have retained life interests under a charitable remainder annuity trust (CRAT). These assets are not available for the support of the Foundation's programs until after the death of the donors plus any specified additional beneficiary's life or stated term. These assets are recorded as part of temporarily restricted net assets at their fair value of \$0 and \$2,518 as of June 30, 2011 and 2010, respectively. The

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 6: ANNUITY AGREEMENTS (Continued)

annuity trust agreements provide that the donors, during their lifetimes, shall be paid an amount equal to the percent of the net fair market value of the assets of the trust (7.5% for trust #1 and 10% for trust #2), based on the valuation of the assets as of the date of the conveyance to the Foundation. Once the assets in the respective trust have been depleted, no further payments are to made to the donors.

	2011	2010
<b>Charitable Remainder Annuity Trust #1</b>		
Assets	\$ 0	\$ 2,031
Liabilities	<u>0</u>	<u>(2,031)</u>
<b>NET ASSETS</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>
<b>Charitable Remainder Annuity Trust #2</b>		
Assets	0	487
Liabilities	<u>0</u>	<u>(487)</u>
<b>NET ASSETS</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>

The Foundation is the trustee of the above charitable remainder annuity trusts.

NOTE 7: PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

Permanently and temporarily restricted net assets are available for the following purposes as of June 30, 2011 and 2010:

	2011		2010	
	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Scholarships	\$ 5,331,991	\$ 3,370,572	\$ 4,408,807	\$ 3,411,850
Instructional programs	534,453	689,816	533,900	665,405
Educational support	260,676	1,418,074	257,370	1,872,435
Athletic programs	19,952	209,956	19,838	153,016
Charitable remainder annuity trusts	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,518</u>
	<b><u>\$ 6,147,072</u></b>	<b><u>\$ 5,688,418</u></b>	<b><u>\$ 5,219,915</u></b>	<b><u>\$ 6,105,224</u></b>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 7: PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2011 are:

	2011 TEMPORARILY RESTRICTED
Scholarships	\$ 1,002,820
Instructional programs	251,990
Educational support	1,432,109
Athletic programs	244,255
Charitable remainder annuity trusts	<u>796</u>
	<u>\$ 2,931,970</u>

Net assets released from restrictions - income reallocation during the year ended June 30, 2011 are:

Interest and dividends (net of management fees) and realized gains (losses) of \$98,397 earned on permanently restricted net assets were reallocated from permanently restricted net assets to temporarily restricted net assets.

NOTE 8: FUNCTIONAL EXPENSES

Functional expenses for the year ended June 30, 2011 are the following:

	<u>Program Services</u>				Total
	<u>Educational Activities</u>	<u>Scholarships and Awards</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Building and equipment	\$ 19,717	\$ 0	\$ 0	\$ 0	\$ 19,717
Conferences, travel and meals	181,237	0	0	0	181,237
Contract labor	1,465,262	0	0	0	1,465,262
Fundraising supplies	0	0	0	66,784	66,784
Other	48,997	0	0	0	48,997
Printing and binding	32,946	0	0	0	32,946
Salaries	3,222	0	57,996	3,222	64,440
Scholarships	0	387,747	0	0	387,747
Supplies and material	196,277	0	0	0	196,277
Transfer of Osher funds	647,299	0	0	0	647,299
	<u>\$ 2,594,957</u>	<u>\$ 387,747</u>	<u>\$ 57,996</u>	<u>\$ 70,006</u>	<u>\$ 3,110,706</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 8: **FUNCTIONAL EXPENSES** (Continued)

Functional expenses for the year ended June 30, 2010 are the following:

	<u>Program Services</u>				Total
	<u>Educational Activities</u>	<u>Scholarships and Awards</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Building and equipment	\$ 29,269	\$ 0	\$ 0	\$ 0	\$ 29,269
Conferences, travel and meals	727,619	0	0	0	727,619
Contract labor	1,104,815	0	0	0	1,104,815
Fundraising supplies	0	0	0	62,718	62,718
Other	157,489	0	0	0	157,489
Printing and binding	56,291	0	0	0	56,291
Salaries	4,154	0	74,760	4,153	83,067
Scholarships	0	363,161	0	0	363,161
Special event supplies	39,940	0	0	0	39,940
Supplies and material	209,632	0	0	0	209,632
Transfer of Osher funds	118,591	0	0	0	118,591
	<u>\$ 2,447,800</u>	<u>\$ 363,161</u>	<u>\$ 74,760</u>	<u>\$ 66,871</u>	<u>\$ 2,952,592</u>

NOTE 9: **CREDIT RISK**

**Cash** - The Foundation maintains its cash accounts primarily with a bank located in Fresno, California. The FDIC insures total interest bearing cash balances up to \$250,000 per bank. At June 30, 2011, the Foundation had a cash balance on deposit with the bank in the amount of \$507,510, which exceeded the balance insured by the FDIC. Typically the monthly balance in the interest bearing account is less than \$250,000.

**Pledge Receivable** - Economic conditions within California may impact the collection of pledges receivable.

NOTE 10: **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 20, 2011 (date financial statements available to be issued) noting no matters requiring disclosure in the financial statements for the year ended June 30, 2011.