

**SAN MATEO COUNTY COMMUNITY
COLLEGES FOUNDATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012**

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SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION

Financial Statements
For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Mateo County Community
Colleges Foundation

We have audited the accompanying statement of financial position of San Mateo County Community Colleges Foundation (the Foundation) as of June 30, 2012 and the related statements of activities, and changes in net assets, cash flows, and functional expenses 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 has been derived from the Foundation's June 30, 2011 financial statements and, in our report dated October 27, 2011 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted auditing standards 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 the Foundation as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Maze + Associates

October 26, 2012

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
With Comparative Totals for June 30, 2011**

	2012	2011
ASSETS		
Current Assets:		
Cash (Note 2B)	\$1,898,619	\$2,173,814
Investments (Notes 2D and 3)	10,207,209	9,659,006
Contributions receivable (Note 2L)	39,514	100,990
Total Current Assets	12,145,342	11,933,810
Equipment:		
Equipment (Note 2C)	36,078	28,471
Accumulated depreciation	(29,738)	(27,674)
Equipment, Net	6,340	797
Total Assets	\$12,151,682	\$11,934,607
LIABILITIES		
Current Liabilities:		
Accrued liabilities	\$5,695	\$44,174
Total Current Liabilities	5,695	44,174
NET ASSETS		
Unrestricted	1,095,999	1,254,987
Temporarily restricted (Note 4)	6,338,477	5,973,935
Permanently restricted (Note 4)	4,711,511	4,661,511
Total Net Assets	12,145,987	11,890,433
Total Liabilities and Net Assets	\$12,151,682	\$11,934,607

See accompanying notes to the financial statements

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
With Summarized Totals for the Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
Public Support and Revenue:					
Public Support:					
Contributions and grants	\$154,159	\$1,248,939	\$50,000	\$1,453,098	\$1,062,359
Proceeds from car donations	9,930	4,336		14,266	15,221
Management fees (Note 10)	95,561			95,561	
Donated services (Note 5)	371,720			371,720	394,920
Donated facilities (Note 5)	11,178			11,178	15,005
Donated materials (Note 5)		18,026		18,026	50,563
Total Public Support	<u>642,548</u>	<u>1,271,301</u>	<u>50,000</u>	<u>1,963,849</u>	<u>1,538,068</u>
Revenue:					
Interest and other		61,386		61,386	49,123
Dividends		138,536		138,536	178,614
Unrealized investment (loss)/gain		(292,105)		(292,105)	1,059,728
Realized investment gain		12,867		12,867	56,382
Total Revenue		<u>(79,316)</u>		<u>(79,316)</u>	<u>1,343,847</u>
Net Assets Released from Restrictions:					
Satisfaction of program restrictions (Note 6)	827,443	(827,443)			
Total Public Support and Revenue	<u>1,469,991</u>	<u>364,542</u>	<u>50,000</u>	<u>1,884,533</u>	<u>2,881,915</u>
Expenses:					
Program Services:					
Scholarships	575,061			575,061	413,845
Program grants (Note 7)	303,750			303,750	264,937
Total Program Services	<u>878,811</u>			<u>878,811</u>	<u>678,782</u>
Supporting Services:					
General and administrative	402,559			402,559	631,112
Fundraising	347,609			347,609	120,194
Total Supporting Services	<u>750,168</u>			<u>750,168</u>	<u>751,306</u>
Total Expenses	<u>1,628,979</u>			<u>1,628,979</u>	<u>1,430,088</u>
Changes in Net Assets	<u>(158,988)</u>	<u>364,542</u>	<u>50,000</u>	<u>255,554</u>	<u>1,451,827</u>
Net Assets:					
Beginning of Year	<u>1,254,987</u>	<u>5,973,935</u>	<u>4,661,511</u>	<u>11,890,433</u>	<u>10,438,606</u>
End of Year	<u>\$1,095,999</u>	<u>\$6,338,477</u>	<u>\$4,711,511</u>	<u>\$12,145,987</u>	<u>\$11,890,433</u>

See accompanying notes to the financial statements

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	2012	2011
Cash Flows from Operating Activities:		
Cash received for programs and operations	\$2,188,114	\$1,249,866
Cash expended for programs and operations	(1,665,304)	(1,402,505)
Net Cash Provided (Used) by Operating Activities	522,810	(152,639)
Cash Flows from Investing Activities:		
Purchase of equipment	(7,607)	
Dividends received	138,536	178,614
Interest received	61,386	49,123
Proceeds from sale of securities	592,723	956,776
Purchase of securities	(1,620,176)	(421,713)
Net Cash Used (Provided) by Investing Activities	(835,138)	762,800
Cash Flows from Financing Activities:		
Contributions restricted to endowment	50,000	441,500
Net Cash Provided by Financing Activities	50,000	441,500
Net Decrease (Increase) in Cash and Cash Equivalents	(262,328)	1,051,661
Cash and Cash Equivalents:		
Beginning of Year	2,173,814	1,122,153
End of Year	\$1,911,486	\$2,173,814
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	\$255,554	\$1,451,827
Adjustments to reconcile change in net assets provided by operating activities:		
Depreciation expense	2,154	4,163
Contributions restricted for long-term purposes	(50,000)	(441,500)
Unrealized investment (loss) gains	292,105	1,059,728
Realized investment (loss) gains	12,867	56,382
Decrease (increase) in contributions receivable	61,476	(74,439)
(Decrease) increase in accrued liabilities	(38,479)	23,420
Total Adjustments	280,123	627,754
Net Cash Provided (Used) by Operating Activities	\$535,677	\$2,079,581

See accompanying notes to the financial statements

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**
With Summarized Totals for the Year Ended June 30, 2011

	<u>2012</u>			<u>2011</u>
	Program Services	General and Administrative Expenses	Fundraising	Total
Scholarships	\$575,061			\$575,061
Program grants and other	303,750			303,750
Development		\$68,987		68,987
Salaries and benefits			\$162,699	162,699
Services (in-kind)		211,828	159,892	371,720
Donations (in-kind)			18,026	18,026
Audit and accounting		11,343		11,343
Depreciation		2,154		2,154
Investment management fee		64,559		64,559
Marketing			4,131	4,131
Miscellaneous		4,002		4,002
Postage		1,544		1,544
Printing		11,895		11,895
Rent (in-kind)		11,178		11,178
Software maintenance		11,123		11,123
Supplies		3,946		3,946
Travel and conferences			2,861	2,861
Total Expenses	<u>\$878,811</u>	<u>\$402,559</u>	<u>\$347,609</u>	<u>\$1,628,979</u>
				<u>\$1,430,088</u>

See accompanying notes to the financial statements

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**SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 – REPORTING ENTITY

The San Mateo County Community Colleges Foundation (the Foundation) is a not-for-profit California corporation organized in 1966. The Foundation operates exclusively for charitable and educational purposes. Its primary activity is in assisting students residing in the San Mateo County Community College District beyond the secondary or high school level. The Foundation's main source of revenues is contributions, grants and bequests from the public.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation and Financial Statement Presentation*

The financial statements have been prepared on the accrual basis of accounting. San Mateo County Community Colleges Foundation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. San Mateo County Community Colleges Foundation considers that all contributions for long-lived assets have implied time restrictions and classifies this support as temporarily restricted until the purpose restriction is met. When a restriction expires, that is, when a stipulated time restriction ends or the 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. Investment earnings on permanently restricted net assets are recorded as temporarily restricted.

B. *Cash and Cash Equivalents*

The Foundation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

C. *Equipment*

All acquisitions of equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to five years.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Investments

The Foundation has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized (see Note 3).

E. Concentration of Credit Risk

The Foundation maintains various cash balances at financial institutions. Cash accounts held in these financial institutions are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 each. The total uninsured cash balances (not reduced by outstanding checks) as of June 30, 2012 is \$1,615,446.

The Foundation maintains these cash balances for future investments and future cash needs for payment of scholarships.

F. Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Foundation paid no taxes on unrelated business income in the years ended June 30, 2012.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Foundation does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Foundation's tax returns will not be challenged by the taxing authorities and that the Foundation will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Foundation's tax returns remain open for federal income tax examination for three years from the date of filing.

G. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Advertising Costs

Advertising costs, if any, are expensed as incurred.

I. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

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 inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

J. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

K. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

L. Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3 – INVESTMENTS

Investments at June 30, 2012 consist of the following:

Charitable Gift Annuities	\$22,313
Common Stock	6,169,031
Corporate Bonds and Notes	2,637,856
Foreign Equities	537,128
US Government Agencies	40,048
Bank Certificates of Deposit	800,833
	<u>\$10,207,209</u>

Cash equivalents and investments are reported at their fair market values using level 1 fair value measures (quoted price in active markets) in the statement of financial position.

NOTE 4 – NET ASSETS

As of June 30, 2012, temporarily restricted net assets in the amount of \$6,338,477 are restricted for scholarships and grants.

Permanently restricted net assets in the amount of \$4,711,511 consist of endowment fund assets contributed by donors to generate interest, dividends, and capital gains for scholarships.

NOTE 5 – DONATED SERVICES, FACILITIES AND MATERIALS

The Foundation recognizes the value of donated facilities and materials at fair value. The Foundation recognizes the fair value of donated services if the services meet the recognition criteria which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated.

As part of the Master Agreement between the Foundation and the San Mateo County Community College District (District), certain District employees perform services for the Foundation that meet the recognition criteria. The value of these services is allocated on the Statement of Functional Expenses in accordance with Note 9. As of June 30, 2012, the amount allocated to general and administrative expenses was \$198,207, and the amount allocated to fundraising was \$159,892. In addition, the Foundation received a donation for legal services of \$13,621 during fiscal year 2012.

As of June 30, 2012, the Foundation received a donation of facilities valued at \$11,178 and donations for materials valued at \$18,026.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified. The total amount of restrictions released during the year ended June 03, 2012 is as follows:

Purpose restriction accomplished:	
Scholarships and program grant	\$769,046
Investment management and custodial fee	<u>64,559</u>
Total restrictions released	<u><u>\$833,605</u></u>

NOTE 7 – PROGRAM GRANTS

Program grants in the amount of \$303,750 were spent to enhance student learning. Various departments at the three colleges use the much needed program grants to enhance student learning by providing for seminars, conferences, tutors, honorariums, classroom computers and other instructional aids and supplies.

NOTE 8 – NET INVESTMENT INCOME (LOSS) ALLOCATION

Net investment income (loss) at year end is allocated based on the percentage of fund balances at March 31, 2012 over the grand total of all the funds. Funds that have both temporary and permanent restrictions record net investment income (loss) in the temporarily restricted account. Funds with only temporary restrictions record net investment income (loss) in the general fund.

NOTE 9 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements.

A. Program

Provide program grants to various departments at the three colleges within the District and provide scholarships and emergency loans to college students.

B. General and Administrative

Includes functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide for coordination and articulation of the Foundations' program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Foundation. Publish two newsletters and one annual report.

C. Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, corporations and grants.

**SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 10 – MANAGEMENT FEE

The Foundation charges an annual endowment management fee to help pay for the cost of administration and stewardship of funds received. This fee is set by the Foundation's Board of Directors and is currently 1.5 percent based upon the rolling prior twelve quarter average of each fund's market value as of June 30th and applied on July 1st of each year.

NOTE 11 – SUBSEQUENT EVENT

Management has evaluated subsequent events through October 26, 2012, the date on which financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.