

Coastline Community College Foundation
Audited Financial Statements
For the Year Ended June 30, 2011
with Report of Independent Auditors

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Report of Independent Auditors'

To the Board of Directors of Coastline Community College Foundation

We have audited the accompanying statement of financial position of the Coastline Community College Foundation (a Component Unit of the Coast Community College District) as of June 30, 2011, and the related statements of activities, 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.

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 the Foundation as of June 30, 2011, 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.

Vasquez + Company LLP

Los Angeles, California
November 30, 2011

Coastline Community College Foundation
Statement of Financial Position
June 30, 2011

ASSETS

Cash and cash equivalents	\$	1,092,721
Investments		996,864
Investments with Foundation for California Community Colleges		277,090
Pledges receivable, net		269,667
Beneficial interest in charitable gift annuities		2,502
Total assets	\$	<u><u>2,638,844</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	4,558
Total liabilities		<u>4,558</u>

Net assets

Unrestricted	588,259
Temporarily restricted	530,429
Permanently restricted	1,515,598
Total net assets	<u>2,634,286</u>
Total liabilities and net assets	<u><u>2,638,844</u></u>

See notes to financial statements.

Coastline Community College Foundation
Statement of Activities
Year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Support:				
Contributions	\$ 157,801	\$ 262,542	\$ 4,496	\$ 424,839
Special events	57,831	-	-	57,831
Donated services	252,471	-	-	252,471
Donated facilities	7,776	-	-	7,776
Total support	<u>475,879</u>	<u>262,542</u>	<u>4,496</u>	<u>742,917</u>
Revenue:				
Interest and dividends	15,437	-	-	15,437
Realized gains on sale of investments	26,372	-	-	26,372
Unrealized gains on investments	37,218	-	-	37,218
Other revenue	305	-	-	305
Total revenue	<u>79,332</u>	<u>-</u>	<u>-</u>	<u>79,332</u>
Total support and revenue before net assets released from restriction	555,211	262,542	4,496	822,249
Net assets released from restriction	<u>270,880</u>	<u>(270,880)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>826,091</u>	<u>(8,338)</u>	<u>4,496</u>	<u>822,249</u>
Expenses				
Program services	460,583	-	-	460,583
Supporting services:				
Management and general	237,606	-	-	237,606
Fundraising	119,497	-	-	119,497
Total expenses	<u>817,686</u>	<u>-</u>	<u>-</u>	<u>817,686</u>
Change in net assets	8,405	(8,338)	4,496	4,563
Net assets				
Beginning of year	579,854	538,767	1,511,102	2,629,723
End of year	<u>\$ 588,259</u>	<u>\$ 530,429</u>	<u>\$ 1,515,598</u>	<u>\$ 2,634,286</u>

See notes to financial statements.

Coastline Community College Foundation
Statement of Cash Flows
Year ended June 30, 2011

Cash flows from operating activities	
Contributions, fundraising and other income	\$ 529,394
Interest	15,437
Payments to suppliers	<u>(603,816)</u>
Net cash provided by (used in) operating activities	<u><u>(58,985)</u></u>
 Cash flows from investing activities	
Purchase of investments	(95,212)
Proceeds from sale of investments	<u>101,929</u>
Net cash provided by (used in) investing activities	<u><u>6,717</u></u>
Net change in cash and cash equivalents	(52,268)
Cash and cash equivalents at beginning of year	<u>1,144,989</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,092,721</u></u>

Reconciliation of change in net assets to cash used in operating activities

Change in net assets	\$ 4,563
Adjustments to reconcile change in net assets to cash provided/(used) by operating activities:	
Realized and unrealized gain on investments	(63,590)
Allowance for uncollectible accounts	(40,803)
Amortization of pledge receivable present value	(97,185)
Changes in assets and liabilities:	
Decrease in pledges receivable	184,857
Increase in beneficial interest in charitable gift annuities	(448)
Decrease in accounts payable	(5,142)
Decrease in due to Coast CCD	<u>(41,237)</u>
Net cash used in operating activities	<u><u>\$ (58,985)</u></u>

See notes to financial statements.

Coastline Community College Foundation
Statement of Functional Expenses
Year ended June 30, 2011

<u>Description</u>	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Donated services	\$ 65,642	\$ 121,186	\$ 65,643	\$ 252,471
Donated facilities	2,022	3,732	2,022	7,776
Scholarship payments	71,222	-	-	71,222
Grants and campus projects	315,028	-	-	315,028
Special events	-	-	51,832	51,832
Professional fees	6,669	65,292	-	71,961
Public relations	-	12,808	-	12,808
Office expense	-	17,812	-	17,812
Seminars and conferences	-	10,620	-	10,620
Insurance	-	1,399	-	1,399
Dues and memberships	-	578	-	578
Hospitality	-	1,485	-	1,485
Other operating expenses	-	2,694	-	2,694
Total	\$ 460,583	\$ 237,606	\$ 119,497	\$ 817,686

See notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Coastline Community College Foundation (the Foundation) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California. The Foundation was incorporated on May 21, 1984 with the express purpose of promoting and assisting the educational programs of Coastline Community College (the College) in accordance with the mission, policies and priorities of the College as administered by its President. The Foundation conducts its operations in conformity with general regulations established by the Board of Governors of the California Community Colleges and the regulations established by the Coast Community College District (the District) as required by the Education Code, Section 72672(c). The Foundation's Board of Directors is composed of members from the local community.

Method of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into the following three classes:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in bank, certificates of deposit and highly liquid securities purchased with a maturity of three months or less.

Investments

Investments are recorded at fair value based on quoted market prices.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

In-kind Contributions

The Foundation receives non-cash donations for items auctioned during their special fundraising events. These donations have been reflected in the statement of activities as in-kind contributions and as fundraising expenses. The amount represents the fair value, when available, of the donated item.

Income Taxes

The Foundation qualifies as a tax exempt organization under the Internal Revenue Service Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not (>50%) be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations by tax authorities for years before 2006.

Fair Value of Financial Instruments

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Foundation's significant financial instruments are cash, pledges receivable, marketable equity securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Risk

The Foundation typically maintains cash and cash equivalents and temporary investments in local banks which may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reporting Entity

The District considered its financial and operational relationships with potential component units under the reporting entity definition of Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support to the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely, or almost entirely, for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, is entitled to, or has the ability to otherwise access, are significant to the District.

Based upon the application of the criteria listed above, the Foundation has been identified as a component unit and has been included in the District's reporting entity.

NOTE 2 INVESTMENTS

Fair Value Measurements

Fair value is defined as the price that the Foundation would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

Level 1: Quoted prices in active markets for identical assets

Level 2: Other significant observable inputs (including quoted prices of similar assets, interest rates and credit risk)

Level 3: Significant unobservable inputs (including Foundation's own assumptions in determining the fair value of assets)

The following table summarizes the Foundation's investments by category in the fair value hierarchy:

<u>Types of Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Scholarship Endowment				
Money market	\$ 175,009	\$ -	\$ -	\$ 175,009
Fixed Income	413,232	-	-	413,232
Common stock	99,609	-	-	99,609
Other assets	309,014	-	-	309,014
Foundation for California Community				
Colleges (Note 3)	-	277,090	-	277,090
Total	<u>\$ 996,864</u>	<u>\$ 277,090</u>	<u>\$ -</u>	<u>\$ 1,273,954</u>

NOTE 3 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (Endowment) through the Foundation for California Community Colleges (FCCC).

On June 30, 2010, the Foundation transferred \$277,090 to the California Community Colleges Scholarship Endowment. These funds were invested in a pooled investment fund held by the Foundation for California Community Colleges (FCCC). The FCCC has assembled an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the Endowment's assets. At June 30, 2011 the fair value of this investment was \$277,090.

**NOTE 3 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES
(FCCC) (CONTINUED)**

The Endowment has been set up to provide matching scholarships funds for California community colleges. The endowment was formed through a generous \$50 million matching commitment from the Bernard Osher Foundation and an initial contribution of \$25 million. The Osher Foundation will provide a 50 percent match for each dollar raised through 2011. Contributions received from Coastline Foundation and invested in the Endowment on or before June 30 of a given year, and the match dollars subsequently applied to those contributions, begin earning interest and result in scholarship distribution one year later. Earnings on both the dollars raised by Coastline Foundation and the match provided by the Osher Foundation will be distributed as scholarship funds to Coastline Foundation, net of investment expenses. The earnings from the dollars raised by Coastline Foundation and the corresponding match amount will be set aside for scholarships for Coastline Community College students.

NOTE 4 PLEDGES RECEIVABLE

Unconditional promises to give related to the Future Campaign and Visionary Pledge at June 30, 2011 are as follows:

Receivable - less than one year	\$	47,020
Receivable - one to five years		400,000
Gross unconditional pledges		447,020
Less:		
Unamortized discount		(19,768)
Allowance for uncollectible accounts		(157,585)
Total	\$	269,667

Pledges receivable have been discounted to present value using a discount rate of 4.9%.

NOTE 5 CONTRIBUTIONS RECEIVABLE FROM SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of one split-interest charitable gift annuity agreement for which the Foundation is not the administrator. The Foundation recognizes the present value of the estimated future benefits to be received as unrestricted contribution revenue and as a receivable. Adjustments to the receivable to reflect amortization of the discount and revaluation of the present value of the estimated future payments to the lifetime beneficiary are recognized in the statement of activities as a change in value of split- interest agreements.

Contributions receivable from split-interests totaled \$2,502 at June 30, 2011. These receivables represent the portion of the charitable gift annuity agreements for which the Foundation is the designated beneficiary.

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$270,880 were released from temporary donor restrictions during the year ended June 30, 2011. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 7 ENDOWMENT

The Foundation's endowment consists of approximately 18 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment 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

NOTE 7 ENDOWMENT (CONTINUED)

Changes in donor-restricted endowment net assets for the fiscal year June 30, 2011:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1	\$ 57,127	\$ 1,234,012	\$ 1,291,139
Investment income	11,580	-	11,580
Contributions	-	4,496	4,496
Adjustment	(44,941)	-	(44,941)
Disbursements	(8,287)	-	(8,287)
	15,479	1,238,508	1,253,987
FCCC Endowment	-	277,090	277,090
Endowment net assets, June 30	\$ 15,479	\$ 1,515,598	\$ 1,531,077

The \$277,090 transferred to the California Community Colleges Scholarship Endowment, through arrangement with the Foundation for California Community Colleges, in the fiscal year 2009-2010 was reclassified to permanently restricted endowment net assets because it is considered part of a permanent scholarship fund that will provide scholarships to students. See also Note 3.

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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. 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 the S&P 500 index while assuming a moderate level of investment risk.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. 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 quality-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 7 ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's Board of Directors has a policy of evaluating the investment income earned each year and then determining the spending criteria for that income. A portion of the income is to be designated for student scholarships and the additional available income is to be designated for future growth of the endowment. At the present time, there are no set criteria for spending. The Board of Directors is mindful of its responsibility to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8 RELATED PARTIES

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The Foundation's primary purpose is to assist in the institutional development and encourage community support to the College. The Foundation receives gifts, property and funds to be used for the benefit of the College, its programs, and any person or organization having an official relationship with the College.

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, administrative assistants and accountants. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services and facilities for the fiscal year 2011 were valued at \$252,471 and \$7,776 respectively, and have been reflected in the financial statements as donated services and facilities.

NOTE 9 SUBSEQUENT EVENTS

The Foundation has evaluated events or transactions that occurred subsequent to June 30, 2011 through November 30, 2011, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements. The Foundation has determined that no subsequent events required disclosure or adjustment to the accompanying financial statements.

