

City Colleges of Chicago Foundation

Financial Statements as of and for the
Years Ended June 30, 2011 and 2010, and
Independent Auditors' Report

CITY COLLEGES OF CHICAGO FOUNDATION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
City Colleges of Chicago Foundation:

We have audited the accompanying statements of financial position of the City Colleges of Chicago Foundation (the "Foundation") (an Illinois corporation, organized not-for-profit) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2011 and 2010, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 28, 2011

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 350,649	\$ 123,388
INVESTMENTS	5,465,014	4,850,730
ACCOUNTS RECEIVABLE	14,322	15,840
PREPAID EXPENSES	<u>8,400</u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,838,385</u>	<u>\$ 4,989,958</u>
LIABILITIES AND NET ASSETS		
LIABILITIES — Accounts payable	<u>\$ 93,213</u>	<u>\$ 39,001</u>
NET ASSETS:		
Unrestricted	14,695	125,725
Temporarily restricted	5,177,008	4,271,763
Permanently restricted	<u>553,469</u>	<u>553,469</u>
Total net assets	<u>5,745,172</u>	<u>4,950,957</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,838,385</u>	<u>\$ 4,989,958</u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:								
Contributions	\$ -	\$ 634,225	\$ -	\$ 634,225	\$ -	\$ 519,566	\$ -	\$ 519,566
Net investment return	1,545	612,879		614,424	701	123,391		124,092
Contributed services	110,267			110,267	104,898			104,898
Net assets released from restriction and other changes in restrictions	<u>341,859</u>	<u>(341,859)</u>		<u>-</u>	<u>703,390</u>	<u>(703,390)</u>		<u>-</u>
Total revenue	<u>453,671</u>	<u>905,245</u>	<u>-</u>	<u>1,358,916</u>	<u>808,989</u>	<u>(60,433)</u>	<u>-</u>	<u>748,556</u>
EXPENSES:								
Program services	454,434			454,434	703,838			703,838
Management and general	<u>110,267</u>			<u>110,267</u>	<u>104,898</u>			<u>104,898</u>
Total expenses	<u>564,701</u>	<u>-</u>	<u>-</u>	<u>564,701</u>	<u>808,736</u>	<u>-</u>	<u>-</u>	<u>808,736</u>
CHANGE IN NET ASSETS	(111,030)	905,245	-	794,215	253	(60,433)	-	(60,180)
NET ASSETS — Beginning of year	<u>125,725</u>	<u>4,271,763</u>	<u>553,469</u>	<u>4,950,957</u>	<u>125,472</u>	<u>4,332,196</u>	<u>553,469</u>	<u>5,011,137</u>
NET ASSETS — End of year	<u>\$ 14,695</u>	<u>\$ 5,177,008</u>	<u>\$ 553,469</u>	<u>\$ 5,745,172</u>	<u>\$ 125,725</u>	<u>\$ 4,271,763</u>	<u>\$ 553,469</u>	<u>\$ 4,950,957</u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 794,215	\$ (60,180)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized and realized (gains) losses on investments	(442,930)	24,946
Decrease (increase) in accounts receivable	1,518	(15,167)
Decrease in interest receivable		17,991
Increase in prepaid expenses	(8,400)	
Increase (decrease) in accounts payable	<u>54,212</u>	<u>(75,498)</u>
Net cash provided by (used in) operating activities	<u>398,615</u>	<u>(107,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,475,317)	(4,875,676)
Sales of investments	<u>4,303,963</u>	<u> </u>
Net cash used in investing activities	<u>(171,354)</u>	<u>(4,875,676)</u>
NET CHANGE IN CASH	227,261	(4,983,584)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>123,388</u>	<u>5,106,972</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 350,649</u>	<u>\$ 123,388</u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2011 AND 2010

1. OPERATIONS

City Colleges of Chicago Foundation (the “Foundation”) is an Illinois not-for-profit, tax-exempt corporation established to pursue financial support from the private sector and to promote the programs of the City Colleges of Chicago, Community College District No. 508 (“City Colleges”). The Foundation receives, administers, and distributes funds to City Colleges for various grants, scholarships, and programs. Substantially all of the Foundation’s revenues and support are for the benefit of City Colleges.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — As of June 30, 2011, cash and cash equivalents include highly liquid investments with maturities of three months or less at the date of purchase, and are stated at cost, which approximates fair value. As of June 30, 2011, \$57,135 of the Foundation’s cash and cash equivalents were within one money market account at one financial institution, which represents 16% of the Foundation’s total cash and cash equivalents balance. As of June 30, 2010, \$66,393 of the Foundation’s cash and cash equivalents were within one money market account at one financial institution, which represents 54% of the Foundation’s total cash and cash equivalents balance. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Management does not expect losses on these balances to occur.

Investments — On July 21, 2009, the Foundation created an investment policy that will permit the Foundation’s Board of Directors to oversee the investment of Foundation assets through the use of an internally appointed investment committee and external investment managers and custodians. This policy reflects the objectives and constraints associated with investing the Foundation’s assets. Investments in fixed-income and equity mutual funds are measured at fair value in the statements of financial position. Net investment return (including realized and unrealized gains and losses on investments, interest, and dividends) is reported as an increase or decrease in unrestricted net assets, unless such income or loss is temporarily or permanently restricted by explicit donor stipulations or by law.

Contributions — The Foundation has adopted Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* (formerly Financial Accounting Standards Board (FASB) Statement No. 116, *Accounting for Contributions Received and Contributions Made*). Per ASC 958, contributions, including unconditional promises to give, are recognized as revenue in the period received or upon receipt of a donor’s unconditional pledge to contribute. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average federal funds rate.

Contributed Services — The Foundation receives contributed services consisting of donated accounting services from the City Colleges. These amounts are included as unrestricted contributions and expenses in the statement of activities and changes in net assets.

Expenses — Expenses are recognized in the period they are incurred. If an expense, such as an award scholarship, includes conditions, the Foundation recognizes the expense when the conditions are met.

Net Assets — Classification of Net Assets — In accordance with ASC 958 (formerly FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*), resources are classified into three classifications of net assets according to externally (donor) imposed restrictions.

Unrestricted — Net assets are expendable for any purpose in performing the primary objectives of the organization. Included in unrestricted net assets are board-designated funds for endowment purposes. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Temporarily Restricted — Net assets whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

	2011	2010
Scholarships	\$4,140,210	\$3,371,297
Grants	101,986	108,817
Multipurpose	933,452	790,483
Miscellaneous	<u>1,360</u>	<u>1,166</u>
Total temporarily restricted net assets	<u>\$5,177,008</u>	<u>\$4,271,763</u>

Permanently Restricted — Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose.

	2011	2010
Scholarships	\$461,957	\$461,957
Multipurpose	91,107	91,107
Miscellaneous	<u>405</u>	<u>405</u>
Total permanently restricted net assets	<u>\$553,469</u>	<u>\$553,469</u>

Tax Status — The Foundation has been recognized by the Internal Revenue Service as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Subsequent Events — The Foundation has evaluated all subsequent events through October 28, 2011, which is the date the financial statements were available to be issued.

Adopted Accounting Pronouncements (issued not yet adopted)- In May 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) and International Financial Reporting Standards (“IFRS”)*, which amends ASC 820, *Fair Value Measurements and Disclosures*. The amendments in this update require the categorization by level for items that are only required to be disclosed at their fair value and information about transfers between Level 1 and Level 2. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on the fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments are effective for reporting periods beginning after December 15, 2011. The adoption will not have a material effect on the statements of financial position and statements of activities and changes in net assets.

3. INVESTMENTS

The components of net investment return for the years ended June 30, 2011 and 2010, are as follows:

	2011	2010
Interest and dividends	\$ 171,494	\$ 149,038
Realized gains	276,666	
Unrealized gain (loss)	<u>166,264</u>	<u>(24,946)</u>
Total	<u>\$ 614,424</u>	<u>\$ 124,092</u>

4. FAIR VALUE OF INVESTMENTS

Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction among market participants on the measurement date. The accounting guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels:

Level 1 — Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 — Observable inputs other than quoted prices in active markets.

Level 3 — One or more unobservable inputs, which are deemed significant to the determination of the fair value, for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The Foundation attempts to establish fair value as an exit price in an orderly transaction consistent with normal settlement market conventions. The Foundation is responsible for the valuation process and seeks to obtain quoted market prices for all securities.

Domestic and fixed income mutual funds are open-ended Securities and Exchange Commission registered investment funds with a daily NAV. These mutual funds allow investors to sell their interests to the fund at the published NAV, with no restrictions on redemptions, and are generally categorized in Level 1 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2011 and June 30, 2010, are as follows:

Description	June 30, 2011	Quoted Prices in Active Markets Identical Assets (Level 1)
Mutual Funds		
Bond Funds	\$ 3,876,762	\$ 3,876,762
Equity Funds	1,582,396	1,582,396
Money Market Funds	<u>5,856</u>	<u>5,856</u>
 Total	 <u>\$ 5,465,014</u>	 <u>\$ 5,465,014</u>

Description	June 30, 2010	Quoted Prices in Active Markets Identical Assets (Level 1)
Mutual Funds		
Bond Funds	\$ 3,636,800	\$ 3,636,800
Equity Funds	1,213,678	1,213,678
Money Market Funds	<u>252</u>	<u>252</u>
 Total	 <u>\$ 4,850,730</u>	 <u>\$ 4,850,730</u>

5. ENDOWMENT NET ASSETS

The Foundation has donor-restricted endowment net assets that consist of 12 individual funds established for a variety of donor-restricted purposes. Net assets associated with permanently restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor, as permanently restricted funds in the absence of 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 the gifts, (b) the original value of subsequent gifts, and (c) accumulations 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 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 organization 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 donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted 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 organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	\$ -	\$ 192,798	\$ 553,469	\$ 746,267
Total endowment funds	<u>\$ -</u>	<u>\$ 192,798</u>	<u>\$ 553,469</u>	<u>\$ 746,267</u>

Endowment net asset composition by type of fund as of June 30, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds	\$ -	\$ 128,434	\$ 553,469	\$ 681,903
Total endowment funds	<u>\$ -</u>	<u>\$ 128,434</u>	<u>\$ 553,469</u>	<u>\$ 681,903</u>

Changes in endowment net assets for the year ended June 30, 2011, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income:				
Endowment net assets — beginning of year	\$ -	\$ 128,434	\$ 553,469	\$ 681,903
Investment return:				
Investment income		22,818		22,818
Net appreciation (realized and unrealized)		58,797		58,797
Total investment return	-	81,615	-	81,615
Contributions		5,315		5,315
Appropriation of endowment assets for expenditures		(22,566)		(22,566)
Net assets — end of year	<u>\$ -</u>	<u>\$ 192,798</u>	<u>\$ 553,469</u>	<u>\$ 746,267</u>

Changes in endowment net assets for the year ended June 30, 2010, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Income:				
Endowment net assets — beginning of year	\$ -	\$ 132,988	\$ 553,469	\$ 686,457
Investment return:				
Investment income		22,898		22,898
Net depreciation (realized and unrealized)		(1,273)		(1,273)
Total investment return	-	21,625	-	21,625
Contributions		4,642		4,642
Appropriation of endowment assets for expenditures		(30,821)		(30,821)
Net assets — end of year	\$ -	\$ 128,434	\$ 553,469	\$ 681,903

Funds with Deficiencies — From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and were \$0 as of June 30, 2011 and 2010, respectively.

6. RELATED-PARTY TRANSACTIONS

The Foundation receives donated accounting services from City Colleges. The Foundation estimates the fair value of these services to be \$110,267 and \$104,898 for the years ended June 30, 2011 and 2010, respectively. These amounts have been included as contributed services in the statements of activities and changes in net assets.

* * * * *