# City Colleges of Chicago Foundation

Financial Statements as of and for the Years Ended June 30, 2010 and 2009, and Independent Auditors' Report

# CITY COLLEGES OF CHICAGO FOUNDATION

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## 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, 2010 and 2009, 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, 2010 and 2009, 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

November 8, 2010

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENTS OF FINANCIAL POSITION
## JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| CASH AND CASH EQUIVALENTS | $ 123,388 | $ 5,106,972 |
| INVESTMENTS | 4,850,730 | |
| INTEREST RECEIVABLE | | 17,991 |
| ACCOUNTS RECEIVABLE | 15,840 | 673 |
| TOTAL ASSETS | $ 4,989,958 | $ 5,125,636 |
| **LIABILITIES AND NET ASSETS** | | |
| LIABILITIES — Accounts payable | $ 39,001 | $ 114,499 |
| NET ASSETS: | | |
| Unrestricted | 125,725 | 125,472 |
| Temporarily restricted | 4,271,763 | 4,332,196 |
| Permanently restricted | 553,469 | 553,469 |
| Total net assets | 4,950,957 | 5,011,137 |
| TOTAL LIABILITIES AND NET ASSETS | $ 4,989,958 | $ 5,125,636 |

See notes to financial statements.

## CITY COLLEGES OF CHICAGO FOUNDATION

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
### YEARS ENDED JUNE 30, 2010 AND 2009

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
| REVENUE: | | | | | | | | |
| Contributions | $ - | $ 519,566 | $ - | $ 519,566 | $ 275 | $ 542,547 | $ 175 | $ 542,997 |
| Net investment return | 701 | 123,391 | | 124,092 | 561 | 97,249 | | 97,810 |
| Contributed services | 104,898 | | | 104,898 | 102,940 | | | 102,940 |
| Net assets released from restriction and other changes in restrictions | 703,390 | (703,390) | | - | 548,883 | 66,296 | (615,179) | - |
| Total income | 808,989 | (60,433) | - | 748,556 | 652,659 | 706,092 | (615,004) | 743,747 |
| EXPENSES: | | | | | | | | |
| Program services | 703,838 | | | 703,838 | 530,679 | | | 530,679 |
| Management and general | 104,898 | | | 104,898 | 102,940 | | | 102,940 |
| Total expenses | 808,736 | - | - | 808,736 | 633,619 | - | - | 633,619 |
| CHANGE IN NET ASSETS | 253 | (60,433) | - | (60,180) | 19,040 | 706,092 | (615,004) | 110,128 |
| NET ASSETS — Beginning of year | 125,472 | 4,332,196 | 553,469 | 5,011,137 | 106,432 | 3,626,104 | 1,168,473 | 4,901,009 |
| NET ASSETS — End of year | $125,725 | $4,271,763 | $553,469 | $4,950,957 | $125,472 | $4,332,196 | $ 553,469 | $5,011,137 |

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENTS OF CASH FLOWS
## YEARS ENDED JUNE 30, 2010 AND 2009

| | 2010 | 2009 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (60,180) | $ 110,128 |
| Adjustments to reconcile change in net assets to net cash flows (used in) provided by operating activities: | | |
| Unrealized losses on investments | 24,946 | |
| (Increase) decrease in accounts receivable | (15,167) | 9,327 |
| Decrease (increase) in interest receivable | 17,991 | (17,991) |
| (Decrease) increase in accounts payable | (75,498) | 85,024 |
| Net cash flows (used in) provided by operating activities | (107,908) | 186,488 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (4,875,676) | |
| Net cash flows used in investing activities | (4,875,676) | - |
| NET CHANGE IN CASH | (4,983,584) | 186,488 |
| CASH AND CASH EQUIVALENTS — Beginning of year | 5,106,972 | 4,920,484 |
| CASH AND CASH EQUIVALENTS — End of year | $ 123,388 | $ 5,106,972 |

See notes to financial statements.

## 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, 2010, 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, 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. As of June 30, 2009, $4,665,185 of the Foundation's cash and cash equivalents were in four certificates of deposit at one financial institution, which represents 91% of the Foundation's total cash and cash equivalents balance.

**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 statement 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) 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. 117, *Financial Statements of Not-for-Profit Organizations*) 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 statement of activities and changes in net assets as net assets released from restrictions.

*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.

**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 November 8, 2010, which is the date the financial statements were available to be issued.

**Adopted Accounting Pronouncements** — In July 2006, the FASB issued ASC Topic 740, *Income Taxes* (formerly FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*). This interpretation prescribes a comprehensive model for how an organization should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. ASC 740 states that a tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The term "tax position" also encompasses a decision to classify a transaction, entity, or other position in a tax return as tax exempt. In December 2008, the FASB issued FASB Staff Position No. 48-3 which deferred the effective date of FIN 48 for certain nonpublic enterprises to fiscal years beginning after December 15, 2008. The Foundation's adoption of ASC 740 in the current fiscal year did not have a significant impact on the financial position or results of operations as of June 30, 2010.

The Foundation adopted ASC 820, *Fair Value Measurements and Disclosures* (formerly FASB Statement No. 157, *Fair Value Measurements*), which establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels: Level 1 — quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities; Level 2 — observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and Level 3 — unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Foundation's adoption of ASC 820 did not have a significant impact on the financial position or statement of activities and changes in net assets as of June 30, 2010. The Foundation has complied with the disclosure requirements of ASC 820.

In September 2009, the FASB issued Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities That Calculate Net Asset Value (NAV) Per Share (or its Equivalent)*, *an amendment of Fair Value Measurements and Disclosure*. This amendment provides additional guidance on using net asset value per share provided by the investment entity when estimating the fair value on an alternative investment that does not have a readily determinable value and enhances the disclosures concerning these investments. The Foundation adopted ASU 2009-12 as of June 30, 2010. The adoption of ASU 2009-12 had no impact on the net assets or disclosures of the Foundation.

## 3. INVESTMENTS

The components of net investment return for the years ended June 30, 2010 and 2009, are as follows:

| | 2010 | 2009 |
|---|---|---|
| Interest and dividends | $ 149,038 | $ 97,810 |
| Unrealized losses | (24,946) | |
| Total | $ 124,092 | $ 97,810 |

## 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 between 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, 2010 and June 30, 2009, are as follows:

| **Level 1 — Quoted Prices in Active Markets** | **2010** | **2009** |
|---|---|---|
| Invested cash | $ 252 | $ - |
| Equity securities — domestic mutual funds | 1,213,678 | |
| Debt securities — fixed income mutual funds | 3,636,800 | |
| Total | $ 4,850,730 | $ - |

## 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 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 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, 2010, is as follows:

| | **Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|---|
| Endowment funds | $ - | $ 128,434 | $ 553,469 | $ 681,903 |
| Total endowment funds | $ - | $ 128,434 | $ 553,469 | $ 681,903 |

Endowment net asset composition by type of fund as of June 30, 2009, is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment funds | $ - | $ 132,988 | $ 553,469 | $ 686,457 |
| Total endowment funds | $ - | $ 132,988 | $ 553,469 | $ 686,457 |

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: | | | | |
| Dividend and interest income — net | | 22,898 | | 22,898 |
| Unrealized loss | | (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 |

Changes in endowment net assets for the year ended June 30, 2009, are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Income: | | | | |
| Endowment net assets — beginning of year | $ - | $ 136,914 | $ 553,294 | $ 690,208 |
| Investment return — dividend and interest income — net | | 18,596 | | 18,596 |
| Total investment return | - | 18,596 | - | 18,596 |
| Contributions | | | 175 | 175 |
| Appropriation of endowment assets for expenditures | | (22,522) | | (22,522) |
| Net assets — end of year | $ - | $ 132,988 | $ 553,469 | $ 686,457 |

**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, 2010 and 2009.

## 6. RELATED-PARTY TRANSACTIONS

The Foundation receives donated accounting services from City Colleges. The Foundation estimates the fair value of these services to be $104,898 and $102,940 for the years ended June 30, 2010 and 2009, respectively. These amounts have been included as unrestricted contributions and expenses in the statement of activities and changes in net assets.

* * * * * *