

Austin Community College Foundation

Independent Auditors' Report
And
Financial Statements

For the Year Ended May 31, 2008

Austin Community College Foundation

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Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

Independent Auditors' Report

To the Board of Directors
Austin Community College Foundation

We have audited the accompanying statement of financial position of Austin Community College Foundation (the Foundation), a Texas nonprofit corporation and component unit of the Austin Community College District, as of May 31, 2008 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.

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 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 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 May 31, 2008, 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.

Padgett, Stratemann & Co., LLP

August 26, 2008
Austin, Texas

Financial Statements

Austin Community College Foundation

Statement of Financial Position

May 31, 2008

ASSETS

Cash and cash equivalents	\$ 292,933
Investments	1,508,081
Accrued interest/dividends receivable	6,590
Promises to give	<u>45,500</u>
 TOTAL ASSETS	 <u>\$ 1,853,104</u>

LIABILITIES AND NET ASSETS

LIABILITIES	\$ <u>-</u>
 NET ASSETS	
Unrestricted	214,562
Temporarily restricted	299,898
Permanently restricted	<u>1,338,644</u>
Total Net Assets	<u>1,853,104</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,853,104</u>

Notes to financial statements form an integral part of this statement

Austin Community College Foundation

Statement of Activities

For the Year Ended May 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Contributions	\$ 81,681	\$ 238,577	\$ 83,198	\$ 403,456
Interest and dividend income	12,574	82,761	-	95,335
Realized and unrealized gains (losses)	(25,078)	(101,355)	-	(126,433)
Net assets released from restrictions	<u>186,047</u>	<u>(186,047)</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>255,224</u>	<u>33,936</u>	<u>83,198</u>	<u>372,358</u>
EXPENSES				
Program services	202,492	-	-	202,492
General and administrative	<u>18,450</u>	<u>-</u>	<u>-</u>	<u>18,450</u>
Total Expenses	<u>220,942</u>	<u>-</u>	<u>-</u>	<u>220,942</u>
CHANGE IN NET ASSETS	34,282	33,936	83,198	151,416
BEGINNING NET ASSETS	<u>180,280</u>	<u>265,962</u>	<u>1,255,446</u>	<u>1,701,688</u>
ENDING NET ASSETS	<u>\$ 214,562</u>	<u>\$ 299,898</u>	<u>\$ 1,338,644</u>	<u>\$ 1,853,104</u>

Notes to financial statements form an integral part of this statement

Austin Community College Foundation

Statement of Cash Flows

For the Year Ended May 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 151,416
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Unrealized and realized (gains) losses	126,433
Bad debt expense	9,610
Increase in accrued interest	(3,666)
Increase in promises to give	(42,225)
Contributions restricted for endowments	<u>(83,198)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>158,370</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(265,453)
Proceeds from sales of investments	<u>153,380</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(112,073)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Investments in endowments	<u>83,198</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>83,198</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	129,495
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>163,438</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 292,933</u></u>
AMOUNTS PAID DURING THE YEAR FOR:	
Income taxes	<u><u>\$ -0-</u></u>
Interest	<u><u>\$ -0-</u></u>

Notes to financial statements form an integral part of this statement

Notes to Financial Statements

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

1: Activities and Significant Accounting Policies

Organization and Nature of Activities

Austin Community College Foundation (the Foundation) is a Texas non-profit corporation chartered in 1991 to provide supplemental financial resources to advance the institutional goals and expand the education services of the Austin Community College District (ACC). The mission of the Foundation is to support educational initiatives which will enhance the quality of facilities and instruction, increase and diversify educational services, and improve accessibility to educational opportunities for students, faculty, staff and residents of the geographic areas served by ACC.

The Foundation is organized exclusively to support ACC and its programs and is considered a component unit by ACC. As such, the financial statements of the Foundation are included as a discretely presented component unit in the ACC financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting applicable to not-for-profit organizations in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payable and other liabilities.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets consist of net assets that are not subject to donor-imposed restrictions. Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted dividend and interest income, less expenses incurred in operations, to raise contributions and for administrative functions.

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

1: Activities and Significant Accounting Policies (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event. When the donor restriction expires, temporary 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

Permanently restricted net assets consist of net assets subject to donor-imposed stipulations that are maintained permanently. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Contributions

Contributions are recorded at fair value when the Foundation obtains possession or receives an unconditional promise to give. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As donor or time restrictions are satisfied, net assets are reclassified to unrestricted net assets. The Foundation's policy is to report restricted support that is satisfied in the year of receipt as restricted and then released in the same year.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt securities purchased with initial maturities of three months or less to be cash equivalents, including money market mutual funds of \$270,217 at May 31, 2008.

Investments

Investments are carried at fair value based upon quoted market prices, when available, or estimates of fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

1: Activities and Significant Accounting Policies (continued)

Functional Expense

Expenses are categorized by functions in the statement of activities as either program services or general and administrative expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to the function.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

2: Tax Exempt Status

The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). The Foundation has also been determined not be a private foundation within the meaning of Section 509(a) of the Code, because it is an organization described in Section 509(a)(3). Therefore, no provision for income taxes has been included in these financial statements.

3: Investments

Investments comprised of the following as of May 31, 2008:

	<u>Cost</u>	<u>Fair Value</u>
Government securities	\$ 324,662	\$ 393,678
Corporate bonds	212,823	197,152
Equities	30,534	49,478
Mutual funds	871,036	867,773
	<u>\$ 1,439,055</u>	<u>\$ 1,508,081</u>

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

3: Investments (continued)

Significant investments (i.e. 10% of net assets) are as follows:

American Funds Growth Fund of America	\$ 313,853
American Funds Investment Company of America	\$ 250,657

Investments held by the Foundation's brokerage firms are insured by the Securities Investor Protection Corporation (SIPC) for loss, theft, or destruction of securities while in the brokerage firm's custody. In the event of a brokerage firm's failure, coverage is provided for up to \$500,000. The Foundation's brokerage firms provide excess SIPC protection for all its customers' securities up to the net equity securities balance. This coverage does not protect against market risks and fluctuations associated with normal market investments.

4: Promises to Give

The promises to give balances at May 31, 2008 were considered fully collectible. Therefore, no allowances for uncollectible amounts have been recorded in these financial statements. Promises to give as of May 31, 2008 are due in full by May 31, 2010.

5: Restrictions on Net Assets

Permanently restricted net assets are primarily comprised of endowed scholarships. Temporarily restricted net assets are comprised of investment income related to the endowment funds that must be spent according to the respective endowment agreements and contributions that are not endowments, but must be used in accordance with the respective donors' restrictions. Following are descriptions of restrictions relating to significant permanently and temporarily restricted net asset balances.

AMD/Gary Heerssen Memorial Scholarship

Provide recognition and financial assistance to ACC students enrolled in the electronics program.

Robert W. Galvin Endowed Scholarship

Provide recognition and financial assistance to ACC students enrolled in the Semiconductor Manufacturing Technology program.

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

5: Restrictions on Net Assets (continued)

AAUW – Frances Malmberg Endowed Scholarship

Provide recognition and financial assistance to female students age 25 and older enrolled in college credit courses at ACC.

SEMI/Frank Squires Scholarships

Provide recognition and financial assistance to ACC students enrolled in the Semiconductor Manufacturing Technology programs or the Robotics program.

Royce & Donna Faulkner Family Endowed Scholarship

Provide recognition and financial assistance to ACC students enrolled in the Building Construction program.

Merrill Lynch Endowed Scholarships

Provide recognition and financial assistance to ACC students enrolled in certificate or associate degree programs in Financial Management or high tech programs.

Benjamin G. Clough Endowed Scholarship

Provide recognition and financial assistance to ACC students enrolled in the Digital Publishing.

Denius Schulman Commercial Music Management Scholarship Endowment

Provide recognition and financial assistance to ACC students enrolled in the commercial music management program.

Suzanne Cooper Endowed Scholarship

Provide recognition and financial assistance to ACC students enrolled in the Associate Degree Nursing program.

Longhorn Dental Scholarship

Provide recognition and financial assistance to ACC students enrolled in the dental hygiene program.

Visual Communication Design Endowed Scholarship

Provide recognition and financial assistance to ACC students enrolled in the Visual Communication Design program.

Jo Frances Hill Endowed Scholarship

Provide recognition and financial assistance to ACC students studying to become a teacher.

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

6: Permanently Restricted Net Assets

Permanently restricted net assets comprised the following endowments as of May 31, 2008:

AMD/Gary Heerssen Memorial Scholarship (Endowment)	\$ 155,516
Denius/Schulman Commercial Music Mgt. Endowed S.	150,000
Robert W. Galvin Endowed Scholarships	104,708
Military Order of the Purple Heart Endowed Scholarship	100,000
AAUW-Frances Malmberg Endowed Scholarship	78,455
Cooper Endowed Scholarship, Suzanne	50,000
Visual Communication Design Endowed Scholarship	50,000
Royce & Donna Faulkner Family Endowed Scholarships	45,000
Merrill Lynch Endowed Scholarships	45,000
Ben Clough Endowed Scholarships	40,495
Pradeau Endowed Scholarship	36,000
ACC Foundation Endowment	35,391
Pat Dobbs Endowed Scholarship	30,808
Earl Maxwell Endowed Scholarship	30,000
Automotive Technology Endowed Scholarships	29,000
Steve Kramer Endowed Scholarship	28,749
Delco Endowed Scholarships	27,294
Reagan Bradshaw Endowed Scholarships	26,445
Student Emergency Fund Endowment	24,051
South Austin Hospital Auxiliary Endowed Scholarship	20,000
Ryan Smith Endowed Scholarship	18,884
Edwina Fredlund Traverso Endowed Scholarship	17,918
Maxine Black Endowed Scholarship	16,734
Didi Stuart Endowed Scholarship	16,510
Bob Lain Endowed Scholarship	16,425
Jo Frances Hill Endowed Scholarship	16,060
Eric Hanson Endowed Memorial Scholarship	15,250
James Lee Williams Endowed Scholarship	15,237
Assistance League of Austin Endowed Scholarship	15,000
Diagnostic Radiology Endowed Scholarship	15,000
Melinda Townsel and Greg Dunn Endowed Scholarship	15,000
Peggy Hale Croshaw Endowed Scholarship	14,593
Travis County Medical Alliance Endowed Scholarship	11,431
Nursing Program Endowment	10,000
Gus Garcia Scholarship	7,335
Ruth Townley Endowed Scholarship	5,851
Boone Baker Endowed Scholarship	4,504
	<u>\$ 1,338,644</u>

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

7: Temporarily Restricted Net Assets

Temporarily restricted net assets comprised the following as of May 31, 2008:

SEMI/Frank Squires Scholarships	\$ 74,703
Peierls Foundation Scholarships	39,651
Summer Academy	27,250
Assistance League of Austin Silverton Scholarships	20,000
College Connection Scholarship	19,757
Robert W. Galvin Scholarship	18,978
Shaping the Future Scholarships	18,549
Other	81,010
	<u>\$ 299,898</u>

Restrictions on temporarily restricted net assets in the amount of \$186,047 were satisfied during the year ended May 31, 2008. Satisfactions included the following:

Assistance League of Austin Silverton Scholarships	\$ 20,000
Bowman Scholarships	10,000
College Connection Scholarship	13,235
Peierls Foundation Scholarships	11,000
Housing Authority of the City of Austin	15,000
South Texas Higher Education Foundation Scholarships	12,000
Rourke Family Foundation Scholarships	10,000
Other	94,812
	<u>\$ 186,047</u>

Austin Community College Foundation

Notes to Financial Statements

May 31, 2008

8: Related Party Transactions

The purpose of the Foundation is to support initiatives of ACC. For the year ended May 31, 2008, the Foundation remitted \$202,492 to ACC for scholarships and programs.

All of the Foundation's personnel and facilities are provided by ACC. ACC's cost of providing these services totaled approximately \$190,200 during the year ended May 31, 2007. The personnel provided by ACC do not meet the requirements for recognition as set forth in SFAS No. 116 and, as such, are not reflected in the statement of activities.

The Foundation receives in-kind contributions of property and equipment on behalf of ACC. These are considered agency transactions as the Foundation never takes custody of the property, but merely acts as a transfer agent. Therefore, these donations are not reflected as contributions and related program expenses on the statement of activities. The Foundation acted as a transfer agent and received approximately \$56,000 of property and equipment during the year ended May 31, 2008, on ACC's behalf.

9: Agency Transaction

The sole purpose of the Foundation is to support the initiatives of ACC. During the year ended May 31, 2008, the Foundation received gifts that the donor designated for another entity, The E3 Alliance. These funds are considered agency transactions and not contributions to the Foundation. In accordance with Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the Foundation recorded a liability for funds held on behalf of The E3 Alliance. As of May 31, 2008, the Foundation had disbursed all agency funds and therefore there is no liability recorded on the financial statements.