

# City Colleges of Chicago Foundation

Financial Statements as of and for the  
Years Ended June 30, 2012 and 2011, and  
Independent Auditors' Report

# CITY COLLEGES OF CHICAGO FOUNDATION

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-9

## 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, 2012 and 2011, and the related statements of activities 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 referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2012 and 2011, and the changes in its net assets 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 5, 2012

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2012 AND 2011

---

	2012	2011
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 1,219,341	\$ 350,649
INVESTMENTS	5,642,008	5,465,014
ACCOUNTS RECEIVABLE	54,962	14,322
PREPAID EXPENSES	<u>10,533</u>	<u>8,400</u>
TOTAL	<u>\$ 6,926,844</u>	<u>\$ 5,838,385</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES — Accounts payable	<u>\$ 671,158</u>	<u>\$ 93,213</u>
NET ASSETS:		
Unrestricted	14,659	14,695
Temporarily restricted	5,687,558	5,177,008
Permanently restricted	<u>553,469</u>	<u>553,469</u>
Total net assets	<u>6,255,686</u>	<u>5,745,172</u>
TOTAL	<u>\$ 6,926,844</u>	<u>\$ 5,838,385</u>

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE:								
Contributions	\$ 200	\$ 1,485,574	\$ -	\$ 1,485,774	\$ -	\$ 634,225	\$ -	\$ 634,225
Net investment return	199	176,888		177,087	1,545	612,879		614,424
Contributed services	111,971			111,971	110,267			110,267
Net assets released from restriction and other changes in restrictions	<u>1,151,912</u>	<u>(1,151,912)</u>		<u>-</u>	<u>341,859</u>	<u>(341,859)</u>		<u>-</u>
Total revenue	<u>1,264,282</u>	<u>510,550</u>	<u>-</u>	<u>1,774,832</u>	<u>453,671</u>	<u>905,245</u>	<u>-</u>	<u>1,358,916</u>
EXPENSES:								
Program services	1,152,347			1,152,347	454,434			454,434
Management and general	<u>111,971</u>			<u>111,971</u>	<u>110,267</u>			<u>110,267</u>
Total expenses	<u>1,264,318</u>	<u>-</u>	<u>-</u>	<u>1,264,318</u>	<u>564,701</u>	<u>-</u>	<u>-</u>	<u>564,701</u>
CHANGE IN NET ASSETS	(36)	510,550	-	510,514	(111,030)	905,245	-	794,215
NET ASSETS — Beginning 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>
NET ASSETS — End of year	<u>\$ 14,659</u>	<u>\$ 5,687,558</u>	<u>\$553,469</u>	<u>\$ 6,255,686</u>	<u>\$ 14,695</u>	<u>\$ 5,177,008</u>	<u>\$553,469</u>	<u>\$ 5,745,172</u>

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

---

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 510,514	\$ 794,215
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized and realized losses (gains) on investments	42,645	(442,930)
(Increase) decrease in accounts receivable	(40,640)	1,518
Increase in prepaid expenses	(2,133)	(8,400)
Increase in accounts payable	<u>577,945</u>	<u>54,212</u>
Net cash provided by operating activities	<u>1,088,331</u>	<u>398,615</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,960,877)	(4,475,317)
Sales of investments	<u>5,741,238</u>	<u>4,303,963</u>
Net cash used in investing activities	<u>(219,639)</u>	<u>(171,354)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	868,692	227,261
CASH AND CASH EQUIVALENTS — Beginning of year	<u>350,649</u>	<u>123,388</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 1,219,341</u>	<u>\$ 350,649</u>

See notes to financial statements.

# CITY COLLEGES OF CHICAGO FOUNDATION

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

---

### 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

**Management 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 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, 2012, 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, 2012, \$57,229 of the Foundation’s cash and cash equivalents were within one money market account at one financial institution, which represents 5% of the Foundation’s total cash and cash equivalents balance. 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. 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** — The Foundation’s investment policy permits the Foundation’s board of directors to oversee the investment of Foundation’s 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 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** — Unconditional promises to give, are recognized as revenue in the period received or upon receipt of a donor’s unconditional pledge to contribute. Contributions of assets other than cash are recorded at their estimated fair value.

**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 statements of activities.

**Expenses** — Expenses are recognized in the period they are incurred. Expenses, which may include conditions, are recognized when the conditions are met.

**Net Assets — Classification of Net Assets** — In accordance with Accounting Standards Codification (ASC) 958, 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.

Temporarily restricted net assets for the years ended June 30, 2012 and 2011, are as follows:

	<b>2012</b>	<b>2011</b>
Scholarships	\$ 5,049,194	\$ 4,140,210
Grants	321,169	101,986
Multipurpose	310,989	933,452
Miscellaneous	<u>6,206</u>	<u>1,360</u>
Total temporarily restricted net assets	<u>\$ 5,687,558</u>	<u>\$ 5,177,008</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.

Permanently restricted net assets for the years ended June 30, 2012 and 2011, are as follows:

	<b>2012</b>	<b>2011</b>
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 November 5, 2012, which is the date the financial statements were available to be issued.

**New Accounting Pronouncements (Issued Not Yet Adopted)** — In May 2011, the Financial Accounting Standards Board 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 and International Financial Reporting Standards*, 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, 2012 and 2011, are as follows:

	<b>2012</b>	<b>2011</b>
Interest and dividends	\$ 219,732	\$ 171,494
Realized gains	96,370	276,666
Unrealized (loss) gain	<u>(139,015)</u>	<u>166,264</u>
Total	<u>\$ 177,087</u>	<u>\$ 614,424</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 for identical instruments in active markets.

*Level 2* — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

*Level 3* — Valuations derived from valuation techniques in which one or more significant inputs are not observable.

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 net asset value (NAV). These mutual funds allow investors to sell their interests to the fund at the published NAV, with no restrictions on redemptions, and are categorized in Level 1 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2012 and 2011, are as follows:

<b>Description</b>	<b>2012</b>	<b>2011</b>
Money market funds	\$ 15,830	\$ 5,856
Mutual funds:		
Bond funds	4,043,339	3,876,762
Equity funds	<u>1,582,839</u>	<u>1,582,396</u>
Total	<u>\$ 5,642,008</u>	<u>\$ 5,465,014</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 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 donation, 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, 2012, is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment funds	<u>\$ -</u>	<u>\$ 239,211</u>	<u>\$ 553,469</u>	<u>\$ 792,680</u>

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

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment funds	<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, 2012, are as follows:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Income — endowment net assets — beginning of year	<u>\$ 192,798</u>	<u>\$ 553,469</u>	<u>\$ 746,267</u>
Investment return:			
Investment income	42,566		42,566
Net depreciation (realized and unrealized)	<u>(17,252)</u>		<u>(17,252)</u>
Total investment return	<u>25,314</u>	<u>-</u>	<u>25,314</u>
Contributions	<u>3,431</u>		<u>3,431</u>
Appropriation of endowment assets for expenditures	<u>17,668</u>		<u>17,668</u>
Net assets — end of year	<u>\$ 239,211</u>	<u>\$ 553,469</u>	<u>\$ 792,680</u>

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

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

**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. There were no deficiencies of this nature as of June 30, 2012 and 2011.

## 6. RELATED-PARTY TRANSACTIONS

The Foundation receives donated accounting services from City Colleges. The Foundation estimates the fair value of these services to be \$111,971 and \$110,267 for the years ended June 30, 2012 and 2011, respectively. These amounts have been included as contributed services in the statements of activities.

\* \* \* \* \*