

CERRITOS COLLEGE FOUNDATION

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

**CERRITOS COLLEGE FOUNDATION
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FOR THE YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cerritos College Foundation
Cerritos, California

We have audited the accompanying financial statements of Cerritos College Foundation (the "Foundation") which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cerritos College Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Christy White Associates

San Diego, California
September 27, 2016

FINANCIAL SECTION

**CERRITOS COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016**

ASSETS	
Current assets	
Cash and cash equivalents (Note 2)	\$ 987,659
Contributions receivable (Note 4)	320,297
Prepaid expense	10,049
Total current assets	<u>1,318,005</u>
Other assets	
Investments (Note 3)	2,827,553
Investments with the Foundation for California Community Colleges (Note 3)	246,611
Total other assets	<u>3,074,164</u>
Total Assets	<u>\$ 4,392,169</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accrued liabilities	\$ 58,340
Deferred revenues	66,874
Total current liabilities	<u>125,214</u>
Total liabilities	<u>125,214</u>
Net assets	
Unrestricted	569,454
Temporarily restricted	2,758,385
Permanently restricted	939,116
Total net assets	<u>4,266,955</u>
Total Liabilities and Net Assets	<u>\$ 4,392,169</u>

The notes to financial statements are an integral part of this statement.

**CERRITOS COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions	\$ -	\$ 268,321	\$ 65,175	\$ 333,496
Administrative Fees	48,208	-	-	48,208
Corporate Program Support	-	8,000	-	8,000
Private Program Support	3,034	989,320	-	992,354
Special events - fundraisers	121,571	48,404	-	169,975
Donated Services (Note 6)	364,263	-	-	364,263
Grants	-	473,088	150	473,238
Investment income (Note 3)	52,381	(900)	-	51,481
Other income	1,040	15,059	-	16,099
Net assets released from restrictions				
Purpose restrictions satisfied	1,697,928	(1,697,928)	-	-
Total Support and Revenues	2,288,425	103,364	65,325	2,457,114
EXPENSES				
Program services	2,090,141	-	-	2,090,141
Supporting services				
Management and general activities	98,569	-	-	98,569
Fundraising (Note 8)	126,545	-	-	126,545
Total Expenses	2,315,255	-	-	2,315,255
CHANGE IN NET ASSETS	(26,830)	103,364	65,325	141,859
Net Assets - Beginning	596,284	2,655,021	873,791	4,125,096
Net Assets - Ending	\$ 569,454	\$ 2,758,385	\$ 939,116	\$ 4,266,955

The notes to financial statements are an integral part of this statement.

**CERRITOS COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Salaries and benefits	\$ 362,577	\$ 58,052	\$ -	\$ 420,629
Scholarship payments/Financial Aid	208,490	-	-	208,490
Program activities	1,517,388	-	-	1,517,388
Special events	-	-	126,545	126,545
Professional fees	-	29,602	-	29,602
Supplies and printing	-	8,127	-	8,127
Dues and memberships	-	1,975	-	1,975
General operating expenses	1,686	813	-	2,499
Total Expenses	\$ 2,090,141	\$ 98,569	\$ 126,545	\$ 2,315,255

The notes to financial statements are an integral part of this statement.

**CERRITOS COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 141,859
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Unrealized loss/(gain) on investments	(118,045)
Changes in operating assets and liabilities	
Contributions receivable (Note 4)	(202,964)
Prepaid expense	(2,955)
Deferred revenues	11,779
Accrued liabilities	56,916
Net cash provided by (used in) operating activities	<u>(113,410)</u>
NET INCREASE (DECREASE) IN CASH	(113,410)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,101,069</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 987,659</u>

The notes to financial statements are an integral part of this statement.

**CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Cerritos College Foundation (the “Foundation”), is a nonprofit public benefit corporation incorporated in the State of California in 1979, and organized to assist in the achievement and maintenance of a superior program of public education and community participation within the community by receiving contributions from the public, raising funds, and making donations to educational, arts, cultural, athletic, and other programs of the College. The principal source of income for the Foundation includes donor contributions, grants and investment income.

B. Basis of Accounting

The Foundation’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

D. Financial Statement Presentation

The Foundation is required to report 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 include all resources available for use by the Board of Directors and management’s discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Temporarily or permanently restricted net assets are restricted by the donor or as matter of law. Temporarily restricted net assets are only expendable for the purposes specified by the donor or though the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support its activities as specified by the donor. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged.

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. A contribution is recognized as income at the date the contribution is received or pledged.

Non-cash contributions of goods and materials are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone who possesses those skills, and would have to be purchased by the organization if not donated.

F. Statement of Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

The statement of functional expenses is an optional statement for the Foundation because it is not classified as a voluntary health and welfare organization. Some items may have been reclassified.

G. Income Taxes

The Foundation is a 509(a)(1) publicly supported nonprofit Foundation that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code and is registered with the California Attorney General as a charity.

The Foundation's management believes all of its significant tax positions would be upheld under examination; therefore, no provision for income tax has been recorded. The Foundation's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

H. Cash and Cash Equivalents

The Foundation considers all highly liquid deposits and investments with an original maturity of ninety days or less to be cash equivalents.

I. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. All gains and losses on investments are reported as increases or decreases to net assets.

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. Property and Equipment

The Foundation has not adopted a policy to capitalize purchases of property and equipment as the Foundation has not made any significant purchases of property and equipment to date.

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has placed a time or purpose restriction on the asset.

K. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When significant changes in valuation techniques or inputs have taken place, the Foundation may revise an asset's or liabilities position in the hierarchy and recognize the change on the date of the event or change in circumstances that caused the transfer.

L. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, consist of amounts held in interest bearing checking, and money market accounts totaling \$987,659.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The FDIC insures up to \$250,000 of accounts per depositor per insured bank. As of June 30, 2016, the Foundation’s bank deposits were exposed to \$0 of custodial credit risk.

NOTE 3 – INVESTMENTS AND INVESTMENT WITH THE FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES

Investments are presented in the financial statements at their aggregate fair value. The fair value of investments at June 30, 2016, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Common stocks and options	\$ 49,233	\$ 49,233	\$ -
Mutual funds	2,569,500	2,569,500	-
Certificates of deposit	208,820	-	208,820
Total Investments	2,827,553	2,618,733	208,820
 Investment with FCCC	 246,611	 -	 246,611
Total investments and investment with FCCC	\$ 3,074,164	\$ 2,618,733	\$ 455,431

The investment with the FCCC is measured using level 2 inputs including the allocable share in the market value of the underlying investments held by the FCCC.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2016:

Net appreciation (depreciation)	\$ (8,856)
Interest and dividends	60,337
Total investment income	\$ 51,481

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2016 total \$320,297. The amounts represent unconditional promises to give. The Foundation has not historically had difficulty collecting amounts due from donors; therefore, no allowance for uncollectible accounts has been recorded.

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – ENDOWMENTS

Named Endowments

The Foundation will establish a named endowment fund at the request of a donor for a minimum initial permanently restricted gift of \$25,000. Following the creation of the fund, scholarships, grants, and/or awards will be disbursed from the earnings on the endowed funds and in keeping with the donor’s designations.

The Foundation’s Board of Directors is charged with the responsibility for management of the endowed assets. To assist in carrying out this duty, the Foundation has adopted an investment policy that prioritizes preservation of capital, long-term growth, and adherence to the prudent person investment philosophy. To enact this policy, the Foundation’s investment strategy emphasizes total return, assuming a level of risk consistent with reasonable and prudent investment practices for such funds.

The Foundation’s Board of Directors feels the policy is in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, to ensure the prudent management of endowed funds in the disbursement of current earnings in support of the College, and to meet future needs established by the donor. The Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the original donation, and (b) subsequent gifts to a named endowment fund, less distributions that draw the fund balance below its previously endowed balance when the Foundation deems it prudent to make such distributions. Earnings on endowed funds are classified as temporarily restricted net assets until such time as the Board of Directors adopts a resolution for appropriation.

The Foundation has 16 permanently restricted endowed scholarships or programs as of June 30, 2016 and is represented as follows:

	Balance			Balance
	June 30, 2015	Net Increase	Net Decrease	June 30, 2016
Maude West Scholarship	\$ 18,381	\$ -	\$ -	\$ 18,381
Gaskin TeacherTrac Scholarship	10,045	-	-	10,045
Glorya Welch Scholarship	21,301	-	-	21,301
Lowell Anderson Scholarship	11,050	-	-	11,050
McGrath Scholarship	30,025	-	-	30,025
Non Siegel Endowment	10,324	-	-	10,324
Bloomfield Scholarship	10,725	-	-	10,725
Cheryl A. Epple Scholarship	47,926	100	-	48,026
Paige Scholarship	24,742	-	-	24,742
Ellen Carver Scholarship	18,609	-	-	18,609
Bob Hughlett Scholarship	36,700	2,075	-	38,775
Habib Business Scholarship	20,000	10,000	-	30,000
Pelias Scholarship	29,835	-	-	29,835
John R Jackson CTE	-	53,000	-	53,000
Project HOPE Endowment	326,003	-	-	326,003
Edison Green Technology Fund (OSHER)	258,275	-	-	258,275
Total endowments	<u>\$ 873,941</u>	<u>\$ 65,175</u>	<u>\$ -</u>	<u>\$ 939,116</u>

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 5 – ENDOWMENTS (continued)

California Community Colleges Scholarship (CCCS) Endowment

In May 2008, the California Community Colleges Scholarship Endowment (the “CCCS Endowment”) was launched via a gift of \$25 million from The Bernard Osher Foundation (the “Osher Foundation”) to the Foundation for California Community Colleges (the “FCCC”). The FCCC and California’s community colleges were challenged with raising an additional \$50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to \$25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California’s community college system.

Based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation, all of the funds contributed to the CCCS Endowment, regardless of source, are irrevocable gifts to the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at Cerritos College and the accumulated earnings, which does not include any funds contributed by the Osher Foundation. As of June 30, 2016, the Foundation’s beneficial interest in the CCCS Endowment totaled \$246,611.

In relation to the CCCS Endowment, this interpretation extends to the earnings on the fund, less distributions for scholarships made in conformance with the aforementioned agreements as determined by the FCCC. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the donation, and (b) net earnings on (a) less allowable distributions. Scholarship distributions made from the fund are classified as temporarily restricted income upon receipt of notification from the FCCC as to the amount and date of scheduled distributions.

NOTE 6 – NET ASSETS

A. Unrestricted Net Assets

Unrestricted net assets for the year ended June 30, 2016 was \$569,454.

B. Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended June 30, 2016 consisted of \$2,758,385 related to scholarships, grants and program support.

Donor restrictions satisfied during the year ended June 30, 2016 included \$1,697,928 for scholarships, grants and program support.

C. Permanently Restricted Net Assets

Permanently restricted net assets for the years ended June 30, 2016 consist of donor restricted endowment assets of \$939,116.

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 7 – RELATED PARTIES

Cerritos Community College District

As described in Note 1, the Foundation’s purpose is to support the College’s students and programs; therefore, transactions between the Foundation and the College, College personnel, students at the College, and programs of the College, are expected. Per the Foundation’s Bylaws, certain College personnel serve as ex-officio members of the Foundation’s Board of Directors by virtue of their position at the College.

In exchange for support that the Foundation provides to the campus programs, the College contributes to the Foundation some portion of salaries and related expenses incurred and paid by the College on behalf of the Foundation.

NOTE 8 – FUNDRAISING EXPENSE

Fundraising expenses consist largely of operating special fundraising events and costs associated with communicating with potential donors. Total fundraising costs were approximately 25% of funds raised for the year ended June 30, 2016. The schedule below presents fundraising expense costs and funds raised prior to netting the cost of direct benefits to donors.

Performing Arts Benefit Concert	\$	35,000
Latin American Music and Sports Fest		10,000
Hall of Fame dinner		34,815
Golf		46,730
Total fundraising costs (A)	\$	<u>126,545</u>
Contributions	\$	333,496
Special events revenue		169,975
Total funds raised (B)	\$	<u>503,471</u>

CERRITOS COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2016

NOTE 9 – CONTINGENCIES

The Foundation may be subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Foundation if disposed of unfavorably.

NOTE 10 – CONCENTRATIONS

The Foundation conducts operations primarily in Southern California and, therefore, is subject to risks from changes in local economic conditions. The Foundation also receives a substantial amount of donated services from the Cerritos Community College District.

NOTE 11 – SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events for the period from June 30, 2016 through September 26, 2016, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on these financial statements.