Agenda Item (VIII-D-2)

Meeting	12/10/2013 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2012-2013 Independent Audit Report for the Riverside Community College District Foundation
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2013 for the permanent file of the District.

Background Narrative:

An independent audit of the Foundation's 2012-2013 financial statements was performed by Ahern, Adcock, Devlin, LLP Certified Public Accountants (AAD). A representative of the firm will be available to present the report. The Foundation's Board of Directors accepted the audit report on November 19, 2013. Results of the audit are summarized below.

<u>Auditor's Opinion</u>

The auditor has issued an unqualified opinion for the financial audit; an excerpt of which follows:

Financial Audit – "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America."

<u>Audit Findings</u>

There were no findings or questioned costs related to the audit for the year ended June 30, 2013.

<u>Auditor's Required Communication – Audit Completion</u>

In accordance with the Statement on Auditing Standards No. 114, at the conclusion of the audit engagement AAD is required to communicate information to the Board of Directors regarding their responsibility under United States Generally Accepted Auditing Standards. Attached for your information is the required communication issued by AAD.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services
Bill Bogle, Controller

Attachments:

12102013_AAD SAS 114 Letter
12102013_Foundation Audit Report FY12-13

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Certified Public Accountants

To the Board of Directors
Riverside Community College District Foundation

We have audited the financial statements of Riverside Community College District Foundation (the "Foundation") for the year ended June 30, 2013, and have issued our report thereon dated October 16, 2013. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 13, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The fair market value of investments is based upon market analysis as of June 30, 2013. We have obtained information from the investment managers in determining the fair presentation of these amounts.
- Management's estimate of the allowance for promises to give is based on an amount determined to be reasonable by management that is at least one percent of total promises to give, or specifically identified past due pledges that are likely to be uncollectible.
- Management's estimate of fair market value of donated services and materials, which is based on the actual cost of donated materials and hours allocated to the Foundation at the prevailing wage rate for the employees involved in the Foundation's activities, and cost of materials which is expected to approximate fair value at the time of donation.
- Management's estimate of the allocation of functional expenses is summarized on a functional basis and allocated among the program, operating, and fundraising activities based on the purpose for purchases and an estimate of employee time for donated services.

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We evaluated the key factors and assumptions used to develop the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Professional standards require that we inform you about uncorrected misstatements aggregated by us during our engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The misstatements are listed in the attached Summary of Passed Adjustments.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 16, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Ahern Adcock Devlin LLP

Riverside, California
October 16, 2013

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Summary of Passed Adjustments

June 30, 2013

(1)

Temporarily restricted net assets	$3,093	
Discount on pledges receivable		$2,248
Temporarily restricted contribution revenue		$845

To discount pledges receivable to net realizable value at June 30, 2013.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

TABLE OF CONTENTS

Michael R. Adcock, CPA
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Independent Auditors' Report

To the Board of Directors
Riverside Community College District Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Riverside Community College District Foundation (the "Foundation") (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

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 from 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 auditors' judgment, including the assessment of 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 Foundation'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 Foundation'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.

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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 Riverside Community College District Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Ahern Adcock Devlin LLP

Riverside, California
October 16, 2013

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Financial Position

June 30,	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents		
Unrestricted	$ 811,446	$ 503,002
Restricted	667,277	869,218
Accounts receivable	33,481	1,600
Unconditional promises to give, net of allowance	72,857	538,155
Prepaid expense	2,500	2,000
Total current assets	1,587,561	1,913,975
Noncurrent assets		
Investments - restricted	5,418,038	4,804,265
Long-term unconditional promises to give, net of allowance	77,875	91,381
Total noncurrent assets	5,495,913	4,895,646
Total assets	$7,083,474	$6,809,621
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 65,854	$ 67,539
Refundable advance	196,391	113,592
Promises to give to others	155,582	452,779
Total current liabilities	417,827	633,910
Total liabilities	417,827	633,910
Net assets		
Unrestricted		
Undesignated	(1,717)	(189,192)
Board designated	17,130	15,669
Total unrestricted net assets	15,413	(173,523)
Temporarily restricted	1,047,145	1,239,303
Permanently restricted	5,603,089	5,109,931
Total net assets	6,665,647	6,175,711
Total liabilities and net assets	$7,083,474	$6,809,621

The accompanying notes are an integral part of these financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Activities and Changes in Net Assets

	For the Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	$ 59,830	$ 776,835	$ 54,338	$ 891,003
In-kind donations				
Donated assets	68,934			68,934
Donated material	22,783			22,783
Donated services	517,591			517,591
Total revenues	669,138	776,835	54,338	1,500,311
Assets released from restriction	1,086,526	(978,468)	(108,058)	-
Total revenues and reclassifications	1,755,664	(201,633)	(53,720)	1,500,311
EXPENSES				
Operating expenses	362,631			362,631
Program expenses	1,171,383			1,171,383
Fundraising expenses	82,274			82,274
Total expenses	1,616,288	-	-	1,616,288
OTHER INCOME (EXPENSE)				
Realized gain (loss) on sale of investments	1,806	345	19,929	22,080
Unrealized gain on investments	38,605	7,381	425,991	471,977
Interest and dividends income	9,149	1,749	100,958	111,856
Total other income (expense)	49,560	9,475	546,878	605,913
Change in net assets	188,936	(192,158)	493,158	489,936
Net assets, beginning of year,	(173,523)	1,239,303	5,109,931	6,175,711
Net assets, end of year	$ 15,413	$1,047,145	$5,603,089	$6,665,647

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30, 2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 361,936	$ 586,289	$1,413,012	$2,361,237
21,431			21,431
31,904			31,904
515,683			515,683
930,954	586,289	1,413,012	2,930,255
1,432,579	(1,266,923)	(165,656)	-
2,363,533	(680,634)	1,247,356	2,930,255
576,325			576,325
876,378			876,378
8,246			8,246
1,460,949	-	-	1,460,949
(1,083)	(1,082)	(41,137)	(43,302)
1,299	1,299	49,365	51,963
2,358	2,084	82,671	87,113
2,574	2,301	90,899	95,774
905,158	(678,333)	1,338,255	1,565,080
(1,078,681)	1,917,636	3,771,676	4,610,631
$ (173,523)	$ 1,239,303	$5,109,931	$6,175,711

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Cash Flows

For the Years Ended June 30,	2013	2012
Cash flows from operating activities		
Change in net assets	$ 489,936	$ 1,565,080
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(472,355)	(51,963)
Contribution of restricted donations	(54,338)	(1,413,012)
Provision for doubtful accounts	(3,042)	2,930
(Increase) decrease in:		
Accounts receivable	(31,881)	8,478
Prepaid expenses	(500)	(2,000)
Unrestricted unconditional promises to give	472,963	272,584
Increase (decrease) in:		
Accounts payable	(1,685)	(134,290)
Refundable advance	82,799	113,592
Net cash provided by operating activities	481,897	361,399
Cash flows from investing activities		
Purchase of investments	(127,717)	(1,309,232)
Proceeds from sale of investments	(13,701)	45,435
Net cash used in investing activities	(141,418)	(1,263,797)
Cash flows from financing activities		
Change in long-term unconditional promises to give	13,506	(91,381)
Payments on promises to give to others	(297,197)	(556,929)
Collections of restricted contributions	251,656	1,417,064
Net cash used in (provided by) financing activities	(32,035)	768,754
Net change in cash and cash equivalents	308,444	(133,644)
Cash and cash equivalents		
Balance, beginning of year	503,002	636,646
Balance, end of year	$811,446	$ 503,002

The accompanying notes are an integral part of these financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Functional Expenses

	For the Year Ended June 30, 2013			
	Operating	Program	Fundraising	Total
In-kind distributions				
Donated assets		$ 68,934		$ 68,934
Donated materials	$ 22,783			22,783
Donated services	324,870	121,275	$71,446	517,591
Support – instructional and student programs		312,248		312,248
Scholarships		521,911		521,911
Printing	1,115	2,674	8,845	12,634
Allowance for uncollected pledges	310	8,644		8,954
Investment fees		38,875		38,875
Office supplies		281		281
Postage	200			200
Other services	13,353	96,541	1,983	111,877
Total expenses	$362,631	$1,171,383	$82,274	$1,616,288

The accompanying notes are an integral part of these financial statements.

For the Year Ended June 30, 2012			
Operating	Program	Fundraising	Total
	$ 21,431		$ 21,431
$ 31,904			31,904
515,683			515,683
	150,150		150,150
	543,586		543,586
1,177	4,455	$7,315	12,947
368	197		565
	27,406		27,406
90	1,911		2,001
186			186
26,917	127,242	931	155,090
$576,325	$876,378	$8,246	$1,460,949

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

The Riverside Community College District Foundation (the "Foundation") was formed as a nonprofit corporation on October 21, 1975, to solicit funds, provide support for the programs and projects of the Riverside Community College District (the "District"), and to account for the issuance of scholarships to the students of the District. The Foundation also serves as a link between the District and the community.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

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. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financial interrelated organizations as defined by the Financial Accounting Standards Board (FASB), Accounting Standards Codification 958-20, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others* (formerly FAS 136). The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program expenses.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Net Asset Classifications

Unrestricted net assets are not restricted by donors, or the donor–imposed restrictions have expired.

Temporarily restricted net assets contain donor–imposed restrictions that permit the Foundation to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets contain donor–imposed restrictions and stipulate that the resources be maintained permanently, but permit the Foundation to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. As restrictions on the net assets expire, due to time passing and earnings becoming available for expenditure, the funds are released to either temporarily restricted net assets or unrestricted net assets as applicable.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Expiration of Donor-Imposed Restrictions

Temporarily restricted net assets have donor-imposed restrictions that permit the Foundation to use up or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation. As the restrictions expire and become available for expenditure, the funds are released to unrestricted net assets.

Endowment Funds

The Foundation endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which has been enacted by the State of California. Donations made to the Foundation are classified as permanently restricted if the donor has stipulated the donation is to be held in perpetuity by the Foundation.

The Foundation has a spending policy which governs the funds to be transferred from the endowment. If the donor has provided endowment funds that are permanently restricted, the Foundation will obtain from the donor a description of any further restrictions to be placed on any earnings from the permanently restricted funds. If there are further restrictions, either program or time restrictions, the earnings are considered temporarily restricted until such time as the restrictions are met. Unspent earnings are returned to the corpus if required by the original agreement with the donor.

The Foundation's investment policy for endowment funds is to preserve and enhance the purchasing power while providing a relatively predictable, stable, and constant stream of earnings consistent with the Foundation's spending needs to enable the Foundation to provide scholarships to District students. Investments will be diversified to avoid undue risk and will be sufficiently liquid to meet operating requirements. Annual spending parameters take into consideration the rate of inflation and real growth of the pooled investment fund. Spending percentage shall be average earnings of the past three years, less inflation rate, at a maximum of 4.5 percent of a three-year average market value.

The permanently restricted balances at June 30, 2013 and 2012 were $5,603,089 and $5,109,931, respectively, and the balances designated by the board for scholarships were $17,130 and $15,669, respectively. The endowment funds consist of pooled investment funds. The activity in the permanently restricted net asset class is reflected in the statement of activities and changes in net assets. Amounts appropriated for expenditures and/or reclassification are shown as net assets released from restriction. Board designated balance is included in the unrestricted net asset class.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as assets are released from restriction between the applicable classes of net assets.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the time of the gift.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets, services, and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets, if received for the benefit of the Foundation, are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the District. During the years ended June 30, 2013 and 2012, all donated assets have been passed through to the District. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value.

Use of Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and accompanying notes. While management believes that these estimates are adequate, actual results could differ from those estimates.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There were no unrelated business activities during the years ended June 30, 2013 and 2012. The Foundation is no longer subject to United States federal or state examinations by tax authorities for the years before 2009 and 2008, respectively. During the years ended June 30, 2013 and 2012, the Foundation did not recognize any interest or penalties associated with any tax positions.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Cash Equivalents for Statements of Cash Flows

For purposes of the statements of cash flows, the Foundation considers all highly liquid unrestricted investments available for current use purchased with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined the amount of allowance for uncollectible promises to give at June 30, 2013 and 2012 to be $6,955 and $9,997, respectively.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

2. Concentration of Risk

The Foundation has cash and cash equivalents in financial institutions that may or may not be insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. At various times throughout the year, the Foundation may have cash balances at financial institutions which exceed the FDIC insurance limit. Additionally, the Foundation deposits are covered under the collateralization of governmental funds agreement which provides for collateralization of deposits with eligible securities at a rate of 110 percent of the deposit on hand. As of June 30, 2013, the balances held in financial institutions of $1,206,950 were not fully insured, but were collateralized with securities held by the financial institution, but not in the Foundation's name. Management reviews the balances and the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for the Foundation.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2013 and 2012 consist of pledges and are due within the following schedule:

	June 30,	
	2013	2012
Due within one year	$ 75,713	$543,342
Due within one to five years	81,974	96,191
Less allowance for uncollectible promises to give	(6,955)	(9,997)
Total	$150,732	$629,536

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2013:

	2013		
	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$2,102,233	$3,341,691	$1,239,458
Corporate bonds	998,776	1,141,114	142,338
Government bonds	573,507	570,065	(3,442)
Investment in the California Community Colleges Scholarship Osher Endowment Fund	365,168	365,168	
	$4,039,684	$5,418,038	$1,378,354

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2012:

	2012		
	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$2,048,330	$2,832,440	$784,110
Corporate bonds	930,846	1,077,527	146,681
Government bonds	513,373	529,130	15,757
Investment in the California Community Colleges Scholarship Osher Endowment Fund	365,168	365,168	
	$3,857,717	$4,804,265	$946,548

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments (Continued)

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012:

Equities: Valued at the closing price in the active market on which the individual equities are traded.

Corporate and government bonds: Valued at the closing price reported in the active market on which the individual securities are traded.

Investment in California Community Colleges Scholarship Osher Endowment Fund: Valued at net asset value of underlying shares held by a banking institution at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments (Continued)

The table below presents the balance of assets measured at fair value for 2013. There were no liabilities outstanding and measured at fair value as of June 30, 2013.

	Carrying Value at June 30, 2013	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,711,179	$ 976,511	$ 734,668	
Investments – equities	3,341,691	1,671,645	1,670,046	
Investment in California Community Colleges Scholarship Osher Endowment Fund	365,168			$365,168
	$5,418,038	$2,648,156	$2,404,714	$365,168

There were no changes in the Foundation's level 3 assets measured at fair value for the year ended June 30, 2013.

The table below presents the balance of assets measured at fair value for 2012. There were no liabilities outstanding and measured at fair value as of June 30, 2012.

	Carrying Value at June 30, 2012	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,606,657	$ 894,870	$ 711,787	
Investments – equities	2,832,440	1,457,598	1,374,842	
Investment in California Community Colleges Scholarship Osher Endowment Fund	365,168			$365,168
	$4,804,265	$2,352,468	$2,086,629	$365,168

There were no changes in the Foundation's level 3 assets measured at fair value for the year ended June 30, 2012.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

5. Accounts Payable

Accounts payable for the Foundation consisted of the following:

	June 30,	
	2013	2012
Payable to District for program expenses	$63,999	$65,619
Vendor payables	1,855	1,920
	$65,854	$67,539

6. Refundable Advances

During the year ended June 30, 2012, the Foundation was awarded a $350,000 grant to develop an education model in conjunction with a local unified school district through the fall of 2014. As of June 30, 2013, $240,000 of the $350,000 total grant was received. Of the total received, $43,609 has been spent on program expenses and thus recognized as revenue in the year ended June 30, 2013. The remaining unspent amount of $196,391 is included in refundable advance.

7. Net Assets

At June 30, 2013 and 2012, unrestricted net assets included $17,130 and $15,669, respectively, designated by the board of directors for scholarships.

At June 30, temporarily restricted net assets were available for the following purposes:

	2013	2012
Scholarships	$ 459,252	$ 619,971
Programs	587,893	619,332
	$1,047,145	$1,239,303

At June 30, 2013 and 2012, permanently restricted net assets consisted of $5,603,089 and $5,109,931, respectively, with investment earnings restricted for scholarships.

The unrestricted fund of the Foundation has incurred operating deficits in past years that created a net deficit ending balance. Management has increased unrestricted fundraising efforts and has reduced operating costs to correct this deficit. The board is in the process of seeking unrestricted resources to bring the operating fund to a positive position.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

8. Related Party Transactions

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as instructional and student programs and scholarship expense. The Foundation has contributed $491,720 and $148,819 to the District for student programs for the years ended June 30, 2013 and 2012, respectively. The Foundation has contributed $521,911 and $543,586 to the District for student scholarships for the years ended June 30, 2013 and 2012, respectively. Additionally, the Foundation promised to give a total $5,833,783 of which $1,700,000 and $3,054,000 were to be passed through from the County of Riverside and the City of Riverside, respectively, under a memorandum of understanding with the District for construction of the Aquatics Complex. As of June 30, 2013 and 2012, the Foundation owed the District $155,582 and $452,779, respectively.

The District provides office space and other support to the Foundation. The Foundation office is currently housed in a building, which is owned by the District, and is jointly used by both the District and the Foundation. The Foundation leases the property at a cost of $1.00 per year. This agreement expires November 30, 2018.

The Foundation received contributed employee services, other professional services, and materials valued at $540,374 and $547,587 from the District for the years ended June 30, 2013 and 2012, respectively.

9. Commitments

The Foundation is the fiscal agent for a scholarship component of a District Gear-Up Grant through the Department of Education. As of June 30, 2013, the Foundation has received a total of $1,293,212 for years one through five of the five-year grant. At June 30, 2013, the funds, including interest income less a small amount expended for investment management fees, are included in the Foundation's temporarily restricted scholarship funds and total $58,911. The Foundation began distributing the funds in the summer of 2007. During the year ended June 30, 2013, the Foundation has expended $159,403 in scholarships and expenses related to the program.

10. Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The volatility of the market and credit institutions after June 30, 2013 could have a significant, negative effect on the Foundation's investments.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

11. Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 16, 2013, which is the date the financial statements were available to be issued. Management requested proposals from several investment bankers during the fiscal year ended June 30, 2013 regarding an intended change in custodian for the Foundation's investments. The change in investment fund managers occurred subsequent to the statement of financial position date and resulted in realized gains in the amount of $1,114,419 that were presented as unrealized at June 30, 2013. Management has determined that there were no subsequent events or transactions, other than those stated above, that would have a material impact on the current year financial statements.