

**TARRANT COUNTY COLLEGE FOUNDATION**

**FINANCIAL REPORT**

**AUGUST 31, 2010**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tarrant County College Foundation

We have audited the accompanying statements of financial position of Tarrant County College Foundation (the Foundation) as of August 31, 2010 and 2009, 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 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 audits provide 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 Tarrant County College Foundation as of August 31, 2010 and 2009, 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
November 8, 2010

**TARRANT COUNTY COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 249,250	\$ 155,088
Pledges receivable	107,675	56,266
Interest receivable	30,944	38,198
Prepaid expenses	158,792	-
Investments	4,689,887	4,106,795
<b>Total assets</b>	<b>\$ 5,236,548</b>	<b>\$ 4,356,347</b>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 24,102	\$ 15,280
Deferred Revenue	265,350	-
Due to affiliate	272,564	115,149
<b>Total liabilities</b>	562,016	130,429
 <b>NET ASSETS</b>		
Unrestricted	505,779	413,407
Temporarily restricted	1,826,778	1,324,753
Permanently restricted	2,341,975	2,487,758
<b>Total net assets</b>	4,674,532	4,225,918
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,236,548</b>	<b>\$ 4,356,347</b>

The Notes to Financial Statements are an integral part of these statements.

**TARRANT COUNTY COLLEGE FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED AUGUST 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenues		
Gifts	\$ 4,059	\$ 7,734
Gifts - in kind	594,456	537,990
Investment return	56,211	(4,588)
Net assets released from restrictions for satisfaction of programs	660,654	385,942
<b>Total revenues</b>	1,315,380	927,078
Expenses		
Scholarships and support of College	610,730	430,053
General and administrative	17,822	41,704
General and administrative - in kind	594,456	537,990
<b>Total expenses</b>	1,223,008	1,009,747
<b>Change in unrestricted net assets</b>	92,372	(82,669)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenues		
Gifts	776,834	411,966
Transferred scholarships	-	903,716
Investment return	84,845	(46,710)
Reclassification of net assets for change in donor stipulations	301,000	-
Net assets released from restrictions for satisfaction of programs	(660,654)	(385,942)
<b>Change in temporarily restricted net assets</b>	502,025	883,030
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Revenues		
Gifts	155,217	50,678
Transferred scholarships	-	535,313
Reclassification of net assets for change in donor stipulations	(301,000)	-
<b>Change in permanently restricted net assets</b>	(145,783)	585,991
<b>CHANGE IN NET ASSETS</b>	448,614	1,386,352
<b>NET ASSETS AT BEGINNING OF YEAR</b>	4,225,918	2,839,566
<b>NET ASSETS AT END OF YEAR</b>	\$ 4,674,532	\$ 4,225,918

The Notes to Financial Statements are an integral part of these statements.

**TARRANT COUNTY COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 448,614	\$ 1,386,352
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Restricted gifts and grants received	(155,217)	(585,991)
Net (appreciation) depreciation in fair value of investments	(141,056)	51,298
Changes in operating assets and liabilities:		
Pledges receivable	(51,409)	51,234
Interest receivable	7,254	(38,198)
Prepaid expenses	(158,792)	-
Accounts payable and accrued liabilities	8,822	7,886
Due to affiliate	157,415	36,023
Deferred revenues	265,350	-
<b>Net cash provided by operating activities</b>	380,981	908,604
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	1,829,275	3,900,530
Purchases of investments	(2,271,311)	(5,499,314)
<b>Net cash used in investing activities</b>	(442,036)	(1,598,784)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for investment in endowment	155,217	585,991
<b>Net cash provided by financing activities</b>	155,217	585,991
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	94,162	(104,189)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	155,088	259,277
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 249,250	\$ 155,088

The Notes to Financial Statements are an integral part of these statements.

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF OPERATIONS**

Tarrant County College Foundation (the Foundation) is an affiliate of Tarrant County College District (the College). The Foundation's sole purpose is to solicit and administer philanthropic gifts for the benefit of the College. The Foundation is supported through grants, contributions and fundraising activities primarily from sources within the geographic area in which it is located.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by the passage of time or accomplishment of a purpose.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and 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.

Contributions are recognized as revenues in the period unconditional promises to give are 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. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

**Cash Equivalents**

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents unless held subject to restrictions that require them to be used for endowment.

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Investments**

Investments are recorded at their fair market value. Donated investments are recorded at fair value at the date of gift.

**Income Taxes**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for Federal income tax.

**Concentrations of Credit Risk**

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount 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.

**Recently Adopted Accounting Standards**

In June 2009, the Financial Account Standards Board (FASB) issued The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the Codification). The Codification reorganized existing U.S. accounting and reporting standards issued by the FASB and other related private sector standard setters into a single source of authoritative accounting principles arranged by topic. The Codification supersedes all existing U.S. accounting standards; all other accounting literature not included in the Codification (other than Securities and Exchange Commission guidance for publicly traded companies) is considered non-authoritative. The Codification was effective on a prospective basis for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification changed the Foundation's references to U.S. GAAP accounting standards only.

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Recently Adopted Accounting Standards – Continued**

In June 2006, the FASB issued guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, it provides guidance on derecognition, classification, interest and penalties accounting in interim periods, disclosure, and transition. Guidance issued in December 2008, deferred the effective date for nonpublic entities to annual financial statements for fiscal years beginning after December 15, 2008. The adoption of this guidance did not have a material impact on the Company's financial condition or results of operations. As of August 31, 2010, the Foundation's tax years 2007 through 2009 remain subject to examination.

**Subsequent Events**

Subsequent events were evaluated through November 8, 2010, which is the date the financial statements were available to be issued.

**Reclassifications**

Certain reclassifications have been made to the August 31, 2009 financial statements to conform to the August 31, 2010 financial statement presentation. Such reclassifications have no effect on previously reported change in net assets.

**NOTE 3. PLEDGES RECEIVABLE**

Pledges receivable are summarized as follows at August 31:

Unconditional promises expected to be collected in:

	2010	2009
Less than one year	\$ 104,675	\$ 37,766
One to five years	3,000	18,500
	\$ 107,675	\$ 56,266

Management considers all contributions to be fully collectible. The present value of cash flows from recorded promises to give does not vary significantly from the stated value. Accordingly, no discount has been recorded.

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. INVESTMENTS**

Fair Value Measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair Value Measurements also establishes a fair value hierarchy 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:

**Level 1** — Quoted prices in active markets for identical assets or liabilities.

**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 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.

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. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

**Money Markets**

These are highly liquid securities whose carrying value approximates fair value.

**Mutual Funds**

These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Fair value of marketable fixed income securities reported as level 2 consists of the following:

**Municipal Bonds:**

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bon-or credit-default swap spreads and volatility.

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. INVESTMENTS – CONTINUED**

**Corporate Bonds:**

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that references as a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond.

Information related to the investments measured at fair value at August 31, 2010 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
Money markets	\$ 126,563	\$ -	\$ -	\$ 126,563
Mutual funds	2,858,697	-	-	2,858,697
Corporate bonds	-	1,288,346	-	1,288,346
Municipal bonds	-	416,281	-	416,281
<b>Total Investments</b>	<b>\$ 2,985,260</b>	<b>\$ 1,704,627</b>	<b>\$ -</b>	<b>\$ 4,689,887</b>

Information related to the investments measured at fair value at August 31, 2009 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value
Money markets	\$ 718,204	\$ -	\$ -	\$ 718,204
Mutual funds	1,777,765	-	-	1,777,765
Corporate bonds	-	1,193,092	-	1,193,092
Municipal bonds	-	417,734	-	417,734
<b>Total Investments</b>	<b>\$ 2,495,969</b>	<b>\$ 1,610,826</b>	<b>\$ -</b>	<b>\$ 4,106,795</b>

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. INVESTMENTS – CONTINUED**

Investments consisted of the following at August 31:

	2010	2009
Money market	\$ 126,563	\$ 718,204
Bonds	1,704,627	1,610,826
Mutual funds	2,858,697	1,777,765
	\$ 4,689,887	\$ 4,106,795

Investment return for the years ended August 31 was composed of:

	2010	2009
Realized loss on mutual funds	\$ (12,019)	\$ (85,496)
Unrealized gains (losses)	67,868	(33,135)
Interest and dividends	101,081	76,694
Investment expenses	(15,874)	(9,361)
	\$ 141,056	\$ (51,298)

**NOTE 5. ENDOWMENTS**

The Foundation's endowments consist of 43 individual donor-restricted funds established for future scholarships and programs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation implemented a Uniform Prudent Management of Institutional Funds Act (UPMIFA) policy regarding the management of institutional funds (including endowment funds). The Board of Directors of the Foundation has interpreted the Texas' enacted version of UPMIFA as the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Unless stated otherwise in the gift instrument, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. ENDOWMENTS - CONTINUED**

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

To satisfy long term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation of equities from 47.5% to a max of 82.5%, fixed income from 23.6% to a max of 42.6% and cash from 0% to a max of 10% to achieve its long-term return objective within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the Foundation is required to retain as a fund of perpetual duration. Deficiencies of this nature as of August 31, 2010 and 2009 amounted to \$66,947 in 21 funds and \$116,868 in 25 funds, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for scholarships that was deemed prudent by the Board of Directors.

Endowment net assets are comprised of the following at August 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 301,000</u>	<u>\$ 2,341,975</u>	<u>\$ 2,642,975</u>

Endowment net assets are comprised of the following at August 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,487,758</u>	<u>\$ 2,487,758</u>

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. ENDOWMENTS – CONTINUED**

Changes in endowment net assets for the year ended August 31, 2010 and 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, August 31, 2008	\$ -	\$ -	\$ 1,901,767	\$ 1,901,767
Investment return				
Investment income	-	72,879	-	72,879
Net depreciation (realized and unrealized)	-	(72,879)	-	(72,879)
Total investment return	-	-	-	-
Contributions	-	-	585,991	585,991
Endowment net assets, August 31, 2009	\$ -	\$ -	\$ 2,487,758	\$ 2,487,758
Investment return				
Investment income	-	84,845	-	84,845
Net depreciation (realized and unrealized)	-	(84,845)	-	(84,845)
Total investment return	-	-	-	-
Contributions	-	-	155,217	155,217
Reclassifications	-	301,000	(301,000)	-
Endowment net assets, August 31, 2010	<u>\$ -</u>	<u>\$ 301,000</u>	<u>\$ 2,341,975</u>	<u>\$ 2,642,975</u>

**TARRANT COUNTY COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. RELATED PARTY TRANSACTIONS**

The College employs individuals whose duties and responsibilities relate solely to the furtherance of the objectives of the Foundation. Additionally, the Foundation utilizes office space for program services that is provided at no charge by the College. The fair value of donated services and rent provided in this manner to the Foundation was included in the statements of activities at the estimated values of \$455,614 and \$11,700, respectively, for the year ended August 31, 2010, and \$405,266 and \$11,700, respectively, for the year ended August 31, 2009. Also included in the statements of activities for the years ended August 31, 2010 and 2009 is \$127,142 and \$121,024, respectively, related to supplies and other administrative expenses paid by the College on behalf of the Foundation.

During 2009, Tarrant County College District petitioned for Judicial Modification of Trust in Probate Court for purposes of transferring various scholarship funds to the Foundation. The petition was granted on May 29, 2009 and scholarship funds were transferred to the Foundation on June 2, 2009. The funds transferred include scholarships both temporarily and permanently restricted by original donors. These funds remained restricted when transferred to the Foundation and are shown as transferred scholarships in the Statement of Activities for the year ended August 31, 2009.

**NOTE 7. CHANGE IN DONOR STIPULATIONS**

During 2010, the Foundation received instructions from two donors to reclassify previously permanently restricted funds to temporarily restricted funds. These reclassifications totaled \$301,000 for the year ended August 31, 2010.