

LOS MEDANOS COLLEGE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2003

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Los Medanos College Foundation
Pittsburg, California

We have audited the accompanying statement of financial position of Los Medanos College Foundation (the "Foundation") as of June 30, 2003 and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Medanos College Foundation as of June 30, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


ARMANINO MCKENNA LLP

July 18, 2003

LOS MEDANOS COLLEGE FOUNDATION
Statement of Financial Position
June 30, 2003

ASSETS

Cash and cash equivalents	\$ 308,147
Receivables	13,546
Contributions receivable, current portion	<u>30,000</u>
Total current assets	351,693
Contributions receivable, noncurrent	10,000
Property and equipment, net	<u>12,098</u>
Total assets	<u>\$ 373,791</u>

LIABILITIES AND NET ASSETS

Due to scholarship recipients	\$ 64,022
Funds held for students	31,769
Funds held for campus organizations	<u>7,295</u>
Total current liabilities	103,086
Net assets	
Unrestricted	36,221
Temporarily restricted	214,484
Permanently restricted	<u>20,000</u>
Total net assets	<u>270,705</u>
Total liabilities and net assets	<u>\$ 373,791</u>

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

LOS MEDANOS COLLEGE FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support				
Contributions	\$ 93,818	\$ 170,668	\$ -	\$ 264,486
Fundraising events	-	13,931	-	13,931
Interest and other income	2,091	-	-	2,091
Net assets released from restrictions	<u>129,043</u>	<u>(129,043)</u>	-	-
Total revenue, gains and other support	<u>224,952</u>	<u>55,556</u>	-	<u>280,508</u>
Expenses				
Program services				
Scholarship awards	39,623	-	-	39,623
Grant to outside entity for scholarships	10,000	-	-	10,000
Sponsorships	31,373	-	-	31,373
Campus organizations	<u>62,207</u>	-	-	<u>62,207</u>
Total program services	<u>143,203</u>	-	-	<u>143,203</u>
Supporting services				
Management and general	67,929	-	-	67,929
Fundraising	<u>5,329</u>	-	-	<u>5,329</u>
Total supporting services	<u>73,258</u>	-	-	<u>73,258</u>
Total expenses	<u>216,461</u>	-	-	<u>216,461</u>
Change in net assets	8,491	55,556	-	64,047
Net assets, beginning of year	<u>27,730</u>	<u>158,928</u>	<u>20,000</u>	<u>206,658</u>
Net assets, end of year	<u>\$ 36,221</u>	<u>\$ 214,484</u>	<u>\$ 20,000</u>	<u>\$ 270,705</u>

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

LOS MEDANOS COLLEGE FOUNDATION
Statement of Cash Flows
For the Year Ended June 30, 2003

Cash flows from operating activities	
Change in net assets	\$ 64,047
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	5,811
Donated equipment	(11,600)
Changes in operating assets and liabilities	
Receivables	(11,579)
Contributions receivable	10,000
Due to scholarship recipients	(10,807)
Funds held for students	14,347
Funds held for campus organizations	<u>(2,362)</u>
Net cash provided by operating activities	57,857
Cash and cash equivalents, beginning of year	<u>250,290</u>
Cash and cash equivalents, end of year	<u>\$ 308,147</u>
<u>Supplemental noncash investing activities</u>	
Donated equipment capitalized in property and equipment	<u>\$ 11,600</u>

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

LOS MEDANOS COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2003

1. Organization and Significant Accounting Policies

Organization

The Los Medanos College Foundation (the "Foundation") was incorporated in the State of California in September 1997 as a nonprofit public benefit corporation. The purpose of the Foundation is to provide supportive services and specialized programs for the general benefit of the Los Medanos College (the "College"). The Foundation performs fund-raising activities, provides scholarships to students, manages students' scholarship awards, invests funds and accounts for financial transactions for certain campus organizations.

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Net assets and changes therein are classified as follows:

- Permanently restricted net assets - net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.
- Temporarily restricted net assets - net assets subject to donor-imposed restrictions that may or will be met by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Unrestricted net assets - net assets not subject to donor-imposed restrictions or net assets whose restrictions are met in the same year the assets are received.

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 assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

LOS MEDANOS COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2003

1. Organization and Significant Accounting Policies (continued)

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all short-term investments with original maturities of three months or less to be cash equivalents. At June 30, 2003, the Foundation held concentrations in depository accounts, which exceeded federal depository insurance by approximately \$82,000.

Contributions and promises to give

Contributions received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions (if any).

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give (contributions receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated materials and equipment are recorded as contributions based on the estimated fair value at the date of donation. Donated services are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

Property and equipment

Property and equipment are stated at cost when purchased or constructed, or at the asset's estimated fair value at the time donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 5 to 7 years. Donated property and equipment are considered to be unrestricted when placed into service by the Foundation, unless restricted as to use by explicit donor stipulation. The Foundation capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000. Depreciation expense for 2003 totaled \$5,811.

LOS MEDANOS COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2003

1. Organization and Significant Accounting Policies (continued)

Agency transactions

In some instances, the Foundation acts as an agent or intermediary for scholarship award funds granted to students from outside entities and for other funds held for selected College campus organizations. The Foundation has no discretion in determining the use of these funds and, therefore, records these transactions as liabilities, rather than contribution revenue.

Tax-exempt status

The Foundation is organized and operated for charitable purposes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxes. As such, no provision for income taxes has been included in the accompanying financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. Transactions With Los Medanos College and the Contra Costa Community College District

The College makes available to the Foundation facilities and resources for administrative, data processing, and fund-raising activities. Any income generated from these activities is to be used for the benefit of the College. No revenue or expense related to the use of facilities and resources has been recorded in the financial statements as the estimated fair market value is not significant.

The majority of the Foundation's general and administrative expenses are paid by the College under a Title III grant awarded to the Contra Costa Community College District (the "District"). This Title III grant is available to the Foundation through October 2004, at which time the Foundation must resume payment of these expenses. Total expenses paid by the College under the Title III grant were approximately \$54,000 for 2003 and are recorded in other income and management and general expenses in the statement of activities and changes in net assets.

The District also pays the salary and benefits of the Foundation's two employees. No revenue or expense has been recorded in the financial statements related to these services since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

LOS MEDANOS COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2003

3. Contributions Receivable

Contributions receivable as of June 30, 2003 are due as follows:

Due in less than one year	\$ 30,000
Due in one to five years	<u>10,000</u>
Total	40,000
Less current portion	<u>(30,000)</u>
Contributions receivable, noncurrent	<u>\$ 10,000</u>

No discount on contributions receivable due in excess of one year has been recorded given the immaterial amount at an estimated risk-free rate of 3%. Based upon the nature of the contributors and the Foundation's history, no allowance for uncollectible contributions is deemed necessary by the Foundation's management.

4. Property and Equipment

Property and equipment consist of the following at June 30, 2003:

Equipment	\$36,918
Less accumulated depreciation	<u>(24,820)</u>
Property and equipment, net	<u>\$12,098</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$214,484 consist of amounts donated for scholarships, special projects and specific campus departments at the College.

Net assets were released from restrictions by awarding scholarships to eligible student recipients or incurring expenses that satisfied the donor-imposed restrictions indicated below:

Satisfaction of scholarship restriction	\$ 49,623
Satisfaction of restriction for special projects	65,329
Satisfaction of restriction for campus departments	<u>14,091</u>
	<u>\$129,043</u>

LOS MEDANOS COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2003

6. Permanently Restricted Net Assets

The Foundation has an endowment fund started by the City of Pittsburg during the fiscal year ended June 30, 2001, whereby the original contribution remains intact while any investment earnings may be used by the Foundation for any purpose it designates. At June 30, 2003, the balance of the endowment was \$20,000.

7. Contingencies

During 2000, the District was approved for a \$500,000 grant from a private foundation, of which \$200,000 remained outstanding at June 30, 2003. This grant, to be paid over a five-year period through 2004, is designated to be used equally for student scholarships and facility expansion or renovation. The District has historically allocated a portion of the annual grant receipt to the Foundation based upon the College's estimated full-time equivalent students for the appropriate fiscal year. The College and the District agreed to allocate a smaller percentage of the grant to the Foundation during 2003 and a larger percentage during 2004, to enable the Foundation to fund facility renovation projects during 2004. During the year ended June 30, 2003, the Foundation received approximately 10% of the annual grant receipt.