

**LOS MEDANOS COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

# LOS MEDANOS COLLEGE FOUNDATION

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**James Marta & Company**  
**Certified Public Accountants**

*Accounting, Auditing, Tax, and Consulting*

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Los Medanos College Foundation  
Pittsburg, California

We have audited the accompanying statement of financial position of Los Medanos College Foundation as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Los Medanos College 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 Los Medanos College Foundation as of June 30, 2012, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*James Marta & Company*

James Marta & Company  
Certified Public Accountants  
December 18, 2012

**LOS MEDANOS COLLEGE FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2012**

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	<u>2012</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 441,263
Investments	<u>512,498</u>
Total Current Assets	<u>953,761</u>
Long Term Assets	
Investments	121,000
Property and Equipment, net of accumulated depreciation	<u>361</u>
Total Assets	<u><u>\$ 1,075,122</u></u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Funds held for others	\$ 602,302
Payroll Liabilities	<u>1,114</u>
Total Current Liabilities	<u>603,416</u>
 <b>NET ASSETS</b>	
Unrestricted	37,121
Temporarily restricted	<u>434,585</u>
Total Net Assets	<u>471,706</u>
Total Liabilities and Net Assets	<u><u>\$ 1,075,122</u></u>

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

# LOS MEDANOS COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES

JUNE 30, 2012

	Unrestricted	Temporarily Restricted	2012 Total
<b>REVENUES</b>			
Donations	\$ 66,162✓	\$ 520,705	\$ 586,867
College in kind support	207,045✓	-	207,045
Event income, net of expenses	2,677✓	-	2,677
Interest income	497✓	725✓	1,222
Other income	15,243✓	-	15,243
Satisfaction of program restrictions	420,209	(420,209)	-
Total revenues	<u>711,833</u>	<u>101,221</u>	<u>813,054✓</u>
<b>EXPENSES</b>			
Program services	446,883	78,813	525,696
Management and general	264,353	-	264,353
Fundraising	1,144	-	1,144
Total expenses	<u>712,380</u>	<u>78,813</u>	<u>791,193</u>
<b>CHANGE IN NET ASSETS</b>	<u>(547)</u>	<u>22,408</u>	<u>21,861</u>
<b>NET ASSETS, BEGINNING OF YEAR AS ORIGINALLY REPORTED</b>	246,587	415,525	662,112
<b>PRIOR PERIOD ADJUSTMENT*</b>	<u>(208,919)</u>	<u>(3,348)</u>	<u>(212,267)</u>
<b>NET ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>37,668</u>	<u>412,177</u>	<u>449,845</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 37,121</u>	<u>\$ 434,585</u>	<u>\$ 471,706</u>

\* See accompanying Notes to The Financial Statements

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



# LOS MEDANOS COLLEGE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

JUNE 30, 2012

	Program Services	Management and General	Fund - Raising	2012 Total
Scholarships	\$ 181,136 ✓	\$ -	\$ -	\$ 181,136
Campus Program Grants	<del>317,886</del> <i>s/b 239,573</i>	-	-	317,886
Program expenses	26,674 ✓	-	-	26,674
Dues and subscriptions	-	1,649 ✓	-	1,649
Fundraising expenses	-	-	1,144 ✓	1,144
Other expenses	-	262,704 ✓	-	262,704
<b>Total Expenses</b>	<u>\$ -525,696</u> <i>210,883</i>	<u>\$ 264,353</u>	<u>\$ 1,144</u>	<u>\$ 791,193</u>

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

LOS MEDANOS COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

JUNE 30, 2012

	<u>2012</u>
<b>Cash Flows From Operating Activites</b>	
Change in Net Assets	\$ 21,861
Depreciation	290
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Increase in accounts payable	1,114
Decrease in accounts recievable	24,188
Decrease in pledge receivable	500
Increase in funds held for others	79,314
Net cash provided by operating activities	<u>127,267</u>
<b>Cash Flows From Investing Activities</b>	
Maturities of investments	334
Net cash used in investing activities	<u>334</u>
<b>Net Increase in Cash and Cash Equivalents</b>	127,602
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>313,661</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 441,263</u>
<b>Supplemental Disclosure on Noncash Investing Activities</b>	
Donated Services	<u>\$ 196,930</u>
Donated equipment and supplies	<u>\$ 10,115</u>

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

# LOS MEDANOS COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ORGANIZATION

The Los Medanos College Foundation (the "Organization") is a nonprofit corporation dedicated to providing assistance to the students, teachers, and programs of Los Medanos College. Revenues are derived principally through the Organization's fundraising programs and contributions from individuals, corporations, and service organizations.

#### B. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Organization 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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of program restrictions.

Permanently restricted - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets as of June 30, 2012.

#### C. PROMISES TO GIVE

Unconditional promises to give (pledges) are recognized as revenues in the period the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Pledges receivable are stated at the amount management expects to collect. There were no pledges receivable as of June 30, 2012.



# **LOS MEDANOS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **D. CONTRIBUTIONS**

The Organization accounts for contributions in accordance with FASB ASC 958-310-50. In accordance with ASC 958-310-50, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 and reported in the statement of activities as satisfaction of program restrictions.

### **E. INVESTMENTS**

The Organization accounts for its investments in accordance with FASB ASC 958-320-50. Under ASC 958-320-50, investments in certificates of deposit with maturities longer than three months, equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The fair values are based on quoted market prices. Donated investments are recorded at the market value on the date of donation and thereafter carried in accordance with the above provisions. Unrealized gains and losses are included in the change in net assets.

### **F. PROPERTY AND EQUIPMENT**

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments exceeding \$1,000 that materially prolongs the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over 3 to 10 year periods depending on the type of asset.

### **G. DONATED GOODS, SERVICES AND FACILITIES**

The Organization supports and improves community interaction with Los Medanos College. In its capacity as community liaison, the Organization procures public support for Los Medanos College, which is not recorded in the Organization's accounting records. Materials and other assets received as donations are recorded and reflected in the financial statements at their fair values on the date of receipt.

During the year, management and administrative services were provided by Los Medanos College employees and others on behalf of the Organization. These donated services were valued at \$196,930 and recognized in the financial statements as in-kind donation revenue and donated management services. The donated management services were allocated to program and administrative support. In addition \$10,114 in donated goods recorded as revenue and program expense was received by the Organization.

# **LOS MEDANOS COLLEGE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012**

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### **H. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **I. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash held in checking and savings accounts and certificates of deposit with initial maturities of less than 90 days. The Organization maintains cash balances in banks which are insured up to \$250,000. At June 30, 2012, there was no amount in excess of FDIC coverage.

### **J. INCOME TAXES**

The Organization is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

### **K. ALLOCATION OF FUNCTIONAL EXPENSES**

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

### **L. INVESTMENT POLICY**

The Investment Committee of the Board of Trustees directs and oversees the investments. The investment policy requires funds to be invested in a prudent and diversified manner and managed on a total return basis. Long term investments are restricted to mutual funds and/or private investment partnerships and allocated within established target guidelines.



# LOS MEDANOS COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 2. INVESTMENTS

The Organization determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels, as defined by ASC 820-10-50, 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 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 and 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, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly structured or long-term derivative contracts and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

#### A. ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2012. The Organization did not have any liabilities measured at fair value on a recurring basis as of June 30, 2012.

Assets	Level 1	Level 2	Level 3	Total
Local Agency Investment Fund (LAIF)	\$ -	\$ 121,000	\$ -	\$ 121,000
Certificates of Deposit	-	512,498	-	512,498
Total investments	\$ -	\$ 633,498	\$ -	\$ 633,498

# LOS MEDANOS COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### A. ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS (CONTIUED)

The Organization is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Organization's investment pool is reported in the accompanying financial statements at amounts based upon the Organization's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis. At June 30, 2012, the interest rate for the LAIF account was 0.36 percent, and there was no significant difference between the fair market value and the carrying amount.

Investments 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 possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

### 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2012, were as follows:

Description	Beginning of Year	Additions	Disposals	End of Year
Equipment	\$ 5,048	\$ -	\$ -	\$ 5,048
Less: accumulated depreciation	(4,397)	(290)	-	(4,687)
	<u>\$ 651</u>	<u>(290)</u>	<u>\$ -</u>	<u>\$ 361</u>

Depreciation expense for the year ended June 30, 2012 was \$290.

### 4. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012, temporarily restricted net assets consisted of the following:

Scholarships	\$ 268,553
Quasi endowment funds	166,032
	<u>\$ 434,585</u>



# LOS MEDANOS COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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### 5. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2011, amounts due to student groups were not being tracked on a program by program basis in the accounting system. During the year ended June 30, 2012, management discovered that the net asset balances were reported incorrectly.

The resulting effect of the prior period adjustment is to increase amounts due to student groups and decrease net assets by \$212,267.

### 6. SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the statement of financial position date of June 30, 2012 through December 18, 2012, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.