

TARRANT COUNTY COLLEGE FOUNDATION

FINANCIAL REPORT

AUGUST 31, 2011

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



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, 2011 and 2010, 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, 2011 and 2010, 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 11, 2011

**TARRANT COUNTY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2011 AND 2010**

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 385,994	\$ 249,250
Pledges receivable	137,670	107,675
Interest receivable	-	30,944
Prepaid expenses	23,479	158,792
Investments	5,419,182	4,689,887
Total assets	\$ 5,966,325	\$ 5,236,548
LIABILITIES		
Accounts payable and accrued liabilities	\$ 26,652	\$ 24,102
Deferred revenue	58,674	265,350
Due to affiliate	367,722	272,564
Total liabilities	453,048	562,016
NET ASSETS		
Unrestricted	772,213	505,779
Temporarily restricted	2,221,618	1,826,778
Permanently restricted	2,519,446	2,341,975
Total net assets	5,513,277	4,674,532
TOTAL LIABILITIES AND NET ASSETS	\$ 5,966,325	\$ 5,236,548

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

**TARRANT COUNTY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues		
Gifts	\$ 4,374	\$ 4,059
Gifts - in kind	664,061	594,456
Investment return	221,746	56,211
Net assets released from restrictions for satisfaction of programs	1,155,778	660,654
Total revenues	2,045,959	1,315,380
Expenses		
Scholarships and support of College	936,784	610,730
General and administrative	178,680	17,822
General and administrative - in kind	664,061	594,456
Total expenses	1,779,525	1,223,008
Change in unrestricted net assets	266,434	92,372
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Gifts	1,272,543	776,834
Investment return	279,844	84,845
Reclassification of net assets for change in donor stipulations	(1,769)	301,000
Net assets released from restrictions for satisfaction of programs	(1,155,778)	(660,654)
Change in temporarily restricted net assets	394,840	502,025
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Revenues		
Gifts	152,778	155,217
Investment return	22,924	-
Reclassification of net assets for change in donor stipulations	1,769	(301,000)
Change in permanently restricted net assets	177,471	(145,783)
CHANGE IN NET ASSETS	838,745	448,614
NET ASSETS AT BEGINNING OF YEAR	4,674,532	4,225,918
NET ASSETS AT END OF YEAR	\$ 5,513,277	\$ 4,674,532

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

**TARRANT COUNTY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 838,745	\$ 448,614
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Restricted gifts and grants received	(152,778)	(155,217)
Net appreciation in fair value of investments	(524,514)	(141,056)
Changes in operating assets and liabilities:		
Pledges receivable	(29,995)	(51,409)
Interest receivable	30,944	7,254
Prepaid expenses	135,313	(158,792)
Accounts payable and accrued liabilities	2,550	8,822
Due to affiliate	95,158	157,415
Deferred revenues	(206,676)	265,350
	188,747	380,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,675,964	1,829,275
Purchases of investments	(3,880,745)	(2,271,311)
	(204,781)	(442,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment in endowment	152,778	155,217
	152,778	155,217
NET CHANGE IN CASH AND CASH EQUIVALENTS	136,744	94,162
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	249,250	155,088
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 385,994	\$ 249,250

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. Unrealized appreciation or depreciation in values is recorded in the statements of activities. Purchased assets are initially recorded at cost. Donated investments are recorded at fair value at the date of gift.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In 2009, the Foundation adopted an accounting pronouncement relating to uncertainty in income taxes. The pronouncement requires that the Foundation recognize in its financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position. The pronouncement also provides guidance on measurement, classification, interest and penalties and disclosure. Tax positions taken related to the Foundation's not-for-profit status have been reviewed and management is of the opinion that material positions taken by the Foundation would more likely than not be sustained by examination. Accordingly, the Foundation has not recorded an income tax liability for uncertain tax benefits. As of August 31, 2011, the Foundation's tax years 2011 through 2009 remain subject to examination.

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.

Subsequent Events

Subsequent events were evaluated through November 11, 2011, which is the date the financial statements were available to be issued.

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

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable are summarized as follows at August 31:

Unconditional promises expected to be collected in:

	2011	2010
Less than one year	\$ 137,670	\$ 104,675
One to five years	-	3,000
	\$ 137,670	\$ 107,675

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.

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 inputs: Quoted prices in active markets for identical assets or liabilities.

Level 2 inputs: 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 inputs: 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.

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

NOTE 4. INVESTMENTS – CONTINUED

Money Markets

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

Mutual Funds

These investments are public investment vehicles that range from domestic large cap and small cap objectives to international equity and fixed income and are 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.

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.

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

NOTE 4. INVESTMENTS – CONTINUED

Information related to the investments measured at fair value at August 31, 2011 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	\$ 148,429	\$ -	\$ -	\$ 148,429
Mutual funds:				
Equity funds	2,955,466	-	-	2,955,466
International funds	207,731	-	-	207,731
Balanced funds	154,660	-	-	154,660
Fixed income funds	1,952,896	-	-	1,952,896
Total investments	\$ 5,419,182	\$ -	\$ -	\$ 5,419,182

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:				
Equity funds	2,543,003	-	-	2,543,003
International funds	180,422	-	-	180,422
Balanced funds	135,272	-	-	135,272
Corporate bonds	-	1,288,346	-	1,288,346
Municipal bonds	-	416,281	-	416,281
Total investments	\$ 2,985,260	\$ 1,704,627	\$ -	\$ 4,689,887

As of August 31, 2011 and 2010, there were no investments which classified as Level 3.

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

NOTE 4. INVESTMENTS – CONTINUED

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

	2011	2010
Realized loss on mutual funds	\$ 40,682	\$ (12,019)
Unrealized gains (losses)	339,540	67,868
Interest and dividends	161,759	101,081
Investment expenses	(17,468)	(15,874)
	\$ 524,514	\$ 141,056

NOTE 5. ENDOWMENTS

The Foundation's endowments consist of 46 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.

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

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

NOTE 5. ENDOWMENTS – CONTINUED

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 August 31, 2011 and 2010 amounted to \$5,696 in 6 funds and \$66,947 in 21 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, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 299,231</u>	<u>\$ 2,519,446</u>	<u>\$ 2,818,677</u>

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>

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

NOTE 5. ENDOWMENTS – CONTINUED

Changes in endowment net assets for the year ended August 31, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	\$ -	\$ 301,000	\$ 2,341,975	\$ 2,642,975
Investment return				
Investment income	-	279,844	22,924	302,768
Net depreciation (realized and unrealized)	-	(279,844)	-	(279,844)
Total investment return	-	-	22,924	22,924
Contributions	-	-	152,778	152,778
Reclassifications	-	(1,769)	1,769	-
Endowment net assets, August 31, 2011	<u>\$ -</u>	<u>\$ 299,231</u>	<u>\$ 2,519,446</u>	<u>\$ 2,818,677</u>

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.

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

NOTE 6. RELATED PARTY TRANSACTIONS – CONTINUED

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 \$565,083 and \$12,030, respectively, for the year ended August 31, 2011, and \$455,614 and \$11,700, respectively, for the year ended August 31, 2010. Also included in the statements of activities for the years ended August 31, 2011 and 2010 is \$86,948 and \$127,142, respectively, related to supplies and other administrative expenses paid by the College on behalf of the Foundation.

NOTE 7. CHANGE IN DONOR STIPULATIONS

During 2011, the Foundation received instructions from a donor to set up an endowment fund with a fund previously classified as temporarily restricted. The fund was reclassified from temporarily restricted funds to permanently restricted funds. The reclassification totaled \$1,769 for the year ended August 31, 2011.

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.