

TARRANT COUNTY COLLEGE FOUNDATION

FINANCIAL REPORT

AUGUST 31, 2009

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**WEAVER
AND
TIDWELL**

L.L.P.

**CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS**

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, 2009 and 2008, 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, 2009 and 2008, 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 10, 2009

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**TARRANT COUNTY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2009 AND 2008**

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 155,088	\$ 259,277
Pledges receivable	56,266	107,500
Interest receivable	38,198	-
Investments	4,106,795	2,559,309
Total assets	\$ 4,356,347	\$ 2,926,086
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 15,280	\$ 7,394
Due to affiliate	115,149	79,126
Total liabilities	130,429	86,520
 NET ASSETS		
Unrestricted	413,407	496,076
Temporarily restricted	1,324,753	441,723
Permanently restricted	2,487,758	1,901,767
Total net assets	4,225,918	2,839,566
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,356,347	 \$ 2,926,086

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

**TARRANT COUNTY COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2009 AND 2008**

	2009	2008
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues		
Gifts	\$ 7,734	\$ 103,301
Gifts - in kind	497,232	469,054
Investment return	(4,588)	(35,224)
Net assets released from restrictions for satisfaction of programs	385,942	157,913
Total revenues	886,320	695,044
Expenses		
Scholarships and support of College	430,053	174,180
General and administrative	41,704	69,197
General and administrative - in kind	497,232	469,054
Total expenses	968,989	712,431
Change in unrestricted net assets	(82,669)	(17,387)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues		
Gifts	411,966	572,913
Transferred scholarships	903,716	-
Investment return	(46,710)	(78,234)
Net assets released from restrictions for satisfaction of programs	(385,942)	(157,913)
Change in temporarily restricted net assets	883,030	336,766
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Revenues		
Gifts	50,678	437,212
Transferred scholarships	535,313	-
Investment return	-	2,897
Change in permanently restricted net assets	585,991	440,109
CHANGE IN NET ASSETS	1,386,352	759,488
NET ASSETS AT BEGINNING OF YEAR	2,839,566	2,080,078
NET ASSETS AT END OF YEAR	\$ 4,225,918	\$ 2,839,566

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

**TARRANT COUNTY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,386,352	\$ 759,488
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Restricted gifts and grants received	(585,991)	(440,109)
Net depreciation in fair value of investments	51,298	159,248
Changes in operating assets and liabilities:		
Pledges receivable	51,234	(103,125)
Interest receivable	(38,198)	-
Accounts payable and accrued liabilities	7,886	(47,170)
Due to affiliate	36,023	79,126
	908,604	407,458
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,900,530	1,864,117
Purchases of investments	(5,499,314)	(2,550,548)
Reinvestment of investment income	-	(46,225)
	(1,598,784)	(732,656)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment in endowment	585,991	440,109
	585,991	440,109
NET CHANGE IN CASH AND CASH EQUIVALENTS	(104,189)	114,911
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	259,277	144,366
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 155,088	\$ 259,277

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.

New Pronouncements

On August 31, 2009, the Foundation adopted SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, SFAS 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 provides largely the same guidance on subsequent events which previously existed only in auditing literature. The adoption of SFAS 165 had no impact on the financial statements as management already followed a similar approach prior to the adoption of this standard. The Foundation has evaluated subsequent events through November 10, 2009.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Pronouncements – Continued

The Foundation is not a taxpaying entity for income tax purposes and, accordingly, no provision has been made for income taxes. In June 2006, the Financial Accounting Standards Board released FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes. Upon implementation of FIN 48, an entity will be required to utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008 the FASB Staff issued FASB Staff Position 48-3. Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, which has deferred the implementation of FIN 48 to fiscal years beginning after December 15, 2008.

Since the Foundation has not implemented the provisions of FIN 48, it has continued to follow accounting and reporting provisions contained in SFAS No. 5, Accounting for Contingencies. Disclosure is not required of a loss contingency involving an unasserted claim or assessment or awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. The Foundation and management are evaluating the potential impact of this new pronouncement on the Foundation's financial statements.

NOTE 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at August 31:

Unconditional promises expected to be collected in:

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 37,766	\$ 73,500
One to five years	18,500	34,000
	<u>\$ 56,266</u>	<u>\$ 107,500</u>

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

The Foundation determines the fair value of investments through application of SFAS 157, *Fair Value Measurements*. The Foundation's investments are comprised of debt and equity instruments and are reflected on the statement of financial position at their estimated fair values. The difference, if any, between cost basis and the fair value of each investment represents unrealized appreciation or depreciation. Changes in unrealized appreciation or depreciation during a period are reflected as part of the investment return in the statement of activities. 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, 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
Total Investments	\$ 2,495,969	\$ 1,610,826	\$ -	\$ 4,106,795

Investments consisted of the following at August 31:

	2009	2008
Money market	\$ 718,204	\$ 262,326
Bonds	1,610,826	916,439
Exchange-traded funds	-	338,664
Mutual funds	1,777,765	1,041,880
	\$ 4,106,795	\$ 2,559,309

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

	2009	2008
Realized loss on mutual funds	\$ (85,496)	\$ (68,638)
Unrealized losses	(33,135)	(81,131)
Interest and dividends	76,694	48,687
Investment expenses	(9,361)	(9,479)
	\$ (51,298)	\$ (110,561)

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

NOTE 5. ENDOWMENTS

The Foundation's endowments consist of 42 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

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, 2009, amounted to \$116,868, in 25 funds. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for scholarships that was deemed prudent by the Board of Directors.

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

NOTE 5. ENDOWMENTS – CONTINUED

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>

Changes in endowment net assets for the year ended June 30, 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
Release from restrictions	-	-	-	-
Endowment net assets, August 31, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,487,758</u>	<u>\$ 2,487,758</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 \$405,266 and \$11,700, respectively, for the year ended August 31, 2009, and \$386,034 and \$11,700 respectively, for the year ended August 31, 2008. Also included in the statements of activities for the years ended August 31, 2009 and 2008 is \$78,035 and \$71,320, respectively, related to supplies and other administrative expenses paid by the College on behalf of the Foundation.

Amounts due to the College, primarily for scholarships paid on the Foundation's behalf, are included on the statement of financial position in liabilities as Due to Affiliate. Included in pledges receivable is \$9,250 due from the College.

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.