

City Colleges of Chicago Foundation

Financial Statements as of and for the
Years Ended June 30, 2009 and 2008, and
Independent Auditors' Report

CITY COLLEGES OF CHICAGO FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
City Colleges of Chicago Foundation:

We have audited the accompanying statements of financial position of the City Colleges of Chicago Foundation (the "Foundation") (an Illinois corporation, organized not-for-profit) as of June 30, 2009 and 2008, and the related statements of activities and of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of the City Colleges of Chicago Foundation as of June 30, 2009 and 2008, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

January 25, 2010

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 5,106,972	\$ 4,920,484
INTEREST RECEIVABLE	17,991	
ACCOUNTS RECEIVABLE	<u>673</u>	<u>10,000</u>
TOTAL ASSETS	<u>\$ 5,125,636</u>	<u>\$ 4,930,484</u>
LIABILITIES AND NET ASSETS		
LIABILITIES — Accounts payable	<u>\$ 114,499</u>	<u>\$ 29,475</u>
NET ASSETS:		
Unrestricted	125,472	106,432
Temporarily restricted	4,332,196	3,626,104
Permanently restricted	<u>553,469</u>	<u>1,168,473</u>
Total net assets	<u>5,011,137</u>	<u>4,901,009</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,125,636</u>	<u>\$ 4,930,484</u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME:								
Contributions	\$ 275	\$ 542,547	\$ 175	\$ 542,997	\$ 90,171	\$ 470,190	\$ -	\$ 560,361
Investment income	561	97,249		97,810	1,587	189,336		190,923
Contributed services	102,940			102,940	88,759			88,759
Net assets released from restriction and other changes in restrictions	548,883	66,296	(615,179)		250,005	(250,005)		
Total income	652,659	706,092	(615,004)	743,747	430,522	409,521		840,043
EXPENSES:								
Program services	530,679			530,679	276,691			276,691
Management and general	102,940			102,940	88,759			88,759
Total expenses	633,619	-	-	633,619	365,450	-	-	365,450
CHANGE IN NET ASSETS	19,040	706,092	(615,004)	110,128	65,072	409,521		474,593
NET ASSETS — Beginning of year	106,432	3,626,104	1,168,473	4,901,009	41,360	3,216,583	1,168,473	4,426,416
NET ASSETS — End of year	\$ 125,472	\$ 4,332,196	\$ 553,469	\$ 5,011,137	\$ 106,432	\$ 3,626,104	\$ 1,168,473	\$ 4,901,009

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 110,128	\$ 474,593
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Decrease (increase) in accounts receivable	9,327	(10,000)
(Increase) in interest receivable	(17,991)	
Increase (decrease) in accounts payable	<u>85,024</u>	<u>(66,805)</u>
Net cash flows from operating activities	<u>186,488</u>	<u>397,788</u>
NET CHANGE IN CASH	186,488	397,788
CASH AND CASH EQUIVALENTS — Beginning of year	<u>4,920,484</u>	<u>4,522,696</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 5,106,972</u>	<u>\$ 4,920,484</u>

See notes to financial statements.

CITY COLLEGES OF CHICAGO FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. OPERATIONS

City Colleges of Chicago Foundation (the “Foundation”) is an Illinois not-for-profit, tax-exempt corporation established to pursue financial support from the private sector and to promote the programs of the City Colleges of Chicago (“City Colleges”). The Foundation receives, administers, and distributes funds to City Colleges for various grants, scholarships, and programs. Substantially all of the Foundation’s revenues and support are for the benefit of City Colleges.

2. SIGNIFICANT ACCOUNTING POLICIES

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Method of Accounting — The Foundation maintains its books and prepares its financial statements using the accrual basis of accounting. The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Cash and Cash Equivalents — The Foundation considers cash on deposit at banks, certificates of deposit, and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents and are stated at cost which approximates fair value. The Foundation places no limit on the amount that may be invested in any one financial institution. As of June 30, 2009, \$4,665,185 of the Foundation’s cash and cash equivalents is in four certificates of deposits at one financial institution, which represents 91% of the Foundation’s total cash and cash equivalent balance.

Contributions — The Foundation has adopted Financial Accounting Standards Board (FASB) Statement No. 116, *Accounting for Contributions Received and Contributions Made*. Per FASB Statement No. 116, contributions, including unconditional promises-to-give, are recognized as revenue in the period received or upon receipt of a donor’s unconditional pledge to contribute. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average federal funds rate.

Expenses — Expenses are recognized in the period they are incurred. If an expense, such as an award scholarship, includes conditions, the Foundation recognizes the expense when the conditions are substantially met.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets — Net assets are categorized in three categories: permanently restricted, temporarily restricted, and unrestricted. A permanent restriction represents a donor-imposed restriction that stipulates that resources be maintained permanently but permits the organization to use or expend part or all of the income derived from the donated assets. The Foundation had permanently restricted net assets of \$553,469 and \$1,168,473 for fiscal years ended June 30, 2009 and 2008, respectively. A temporary restriction represents a donor-imposed restriction that permits the donee organization to use the donated assets when the restriction is met by either passage of time or by actions of the organization. When restricted purposes have been met, such assets are transferred as “Net assets released from restrictions”. The Foundation had temporarily restricted net assets of \$4,332,196 and \$3,626,104 as of June 30, 2009 and 2008, respectively.

New Accounting Pronouncements — In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*. FIN No. 48 prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in its financial statements uncertain tax positions that the organization has taken or expects to take on a tax return. FIN No. 48 states that a tax benefit from an uncertain position may be recognized only if it is “more likely than not” that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The term “tax position” also encompasses a decision to classify a transaction, entity, or other position in a tax return as tax exempt. In December 2008, the FASB issued FASB Staff Position No. 48-3 that deferred the effective date of FIN No. 48 for certain nonpublic enterprises to fiscal years beginning after December 15, 2008. The Foundation does not believe that the adoption of FIN No. 48 will have a significant impact on the financial statements.

Adopted Accounting Pronouncements — Effective June 30, 2009, the Foundation adopted the provisions of FSP FAS No. 117-1, *Endowments of Not-For-Profit Organizations, Net Assets Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for all Endowment Funds* (FSP FAS No. 117-1). FSP FAS No. 117-1 provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. As of June 30, 2009, UPMIFA legislation had been enacted by the State of Illinois. The Foundation’s adoption of FSP FAS No. 117-1 had no significant impact on the financial condition or results of operations as of or for the year ended June 30, 2009. The Foundation has complied with the disclosure requirements of FSP FAS No. 117-1.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*. FASB Statement No. 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. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This statement is effective for fiscal years ending after June 15, 2009. For the year ended June 30, 2009, the Foundation has evaluated all subsequent events through January 25, 2010, which is the date the financial statements were available to be issued.

3. DONOR-RESTRICTED NET ASSETS

The Foundation has donor-restricted net assets that consist of 12 individual funds established for a variety of donor-restricted purposes. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with temporary and permanently restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date of the donor permanently restricted funds 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 the gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted 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 organization
- The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2009, is as follows:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 132,988</u>	<u>\$ 553,469</u>	<u>\$ 686,457</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 132,988</u>	<u>\$ 553,469</u>	<u>\$ 686,457</u>

3. DONOR-RESTRICTED NET ASSETS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2008, is as follows:

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 136,914</u>	<u>\$ 553,294</u>	<u>\$ 690,208</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 136,914</u>	<u>\$ 553,294</u>	<u>\$ 690,208</u>

Changes in endowment net assets for the year ended June 30, 2009, are as follows:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
INCOME				
ENDOWMENT NET ASSETS — Beginning of year	<u>\$ -</u>	<u>\$ 136,914</u>	<u>\$ 553,294</u>	<u>\$ 690,208</u>
Investment return:				
Dividend and interest income — net		18,596		18,596
Realized and unrealized gains (losses)				
Total investment return	<u>-</u>	<u>18,596</u>	<u>-</u>	<u>18,596</u>
Contributions			175	175
Transfers between categories				
Appropriation of endowment assets for expenditures		<u>(22,522)</u>		<u>(22,522)</u>
ENDOWMENT NET ASSETS — End of year	<u>\$ -</u>	<u>\$ 132,988</u>	<u>\$ 553,469</u>	<u>\$ 686,457</u>

3. DONOR-RESTRICTED NET ASSETS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2008, are as follows:

INCOME	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ENDOWMENT NET ASSETS — beginning of year	\$ -	\$ 115,911	\$ 553,294	\$ 669,205
Investment return:				
Dividend and interest income — net		30,960		30,960
Realized and unrealized gains (losses)				
Total investment return	-	30,960	-	30,960
Contributions				
Transfers between categories				
Appropriation of endowment assets for expenditures		(9,957)		(9,957)
ENDOWMENT NET ASSETS — End of year	\$ -	\$ 136,914	\$ 553,294	\$ 690,208

4. EXEMPT STATUS

The Foundation has been recognized by the Internal Revenue Service as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

5. RELATED-PARTY TRANSACTIONS

The Foundation receives donated accounting services from City Colleges. The Foundation estimates the approximate fair value of these services to be \$102,940 and \$88,759 for the years ended June 30, 2009 and 2008, respectively. These amounts have been included in contributions and expenses in the statement of activities and changes in net assets.

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