Agenda Item (VIII-D-3)

Meeting	12/11/2012 - Regular
Agenda Item	Committee - Resources (VIII-D-3)
Subject	2011-2012 Independent Audit Report for the Riverside Community College District Foundation
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2012 for the permanent file of the District.

Background Narrative:

An independent audit of the Foundation's 2011-2012 financial statements was performed by Ahern, Adcock, Devlin, LLP Certified Public Accountants (AAD). A representative of the firm will be available to present the report. The Foundation's Board of Directors accepted the audit report on November 13, 2012. Results of the audit are summarized below.

Auditor's Opinion

The auditor has issued an unqualified opinion for the financial audit; an excerpt of which follows:

Financial Audit – "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District Foundation as of June 30, 2012 and 2011, 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."

Audit Findings

There were no findings or questioned costs related to the audit for the year ended June 30, 2012.

Auditor's Required Communication – Audit Completion

In accordance with the Statement on Auditing Standards No. 114, at the conclusion of the audit engagement AAD is required to communicate information to the Board of Directors regarding their responsibility under United States Generally Accepted Auditing Standards. Attached for your information is the required communication issued by AAD.

Prepared By: Jim Buysse, Vice Chancellor, Administration & Finance
Aaron Brown, Associate Vice Chancellor, Finance
Bill Bogle, Controller
Amy Cardullo, Director, RCC Foundation and Alumni Affairs

Attachments:

12112012_Foundation Audit Report FY11-12
12112012_AAD SAS 114 Letter

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

TABLE OF CONTENTS

Michael R. Adcock, CPA
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Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors
Riverside Community College District Foundation
Riverside, California

We have audited the accompanying statements of financial position of Riverside Community College District Foundation (the "Foundation") as of June 30, 2012 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. The financial statements of the Foundation as of June 30, 2011 were audited by other auditors whose report dated October 18, 2011 expressed an unqualified opinion on those statements. As discussed in Note 11 to the financial statements, the Foundation has adjusted its 2011 financial statements to record a promise to give to others. The other auditors reported on the financial statements before the prior period adjustment. 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 Riverside Community College District Foundation as of June 30, 2012 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.

We also audited the adjustments to the 2011 financial statements to apply the prior period adjustment as described in Note 11. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Foundation's 2011 financial statements other than with respect to the adjustments and; accordingly, we do not express an opinion on any other form of assurance on the 2011 financial statements as a whole.

Ahern Adcock Devlin LLP

Riverside, California
November 6, 2012

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RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Financial Position

June 30,	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents		
Unrestricted	$ 503,002	$ 636,646
Restricted	869,218	1,316,324
Accounts receivable	1,600	10,078
Unconditional promises to give, net of allowance	538,155	370,615
Prepaid expense	2,000	
Total current assets	1,913,975	2,333,663
Noncurrent assets		
Investments - restricted	4,804,265	3,488,505
Long-term unconditional promises to give, net of allowance	91,381	
Total noncurrent assets	4,895,646	3,488,505
Total assets	$6,809,621	$5,822,168
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 67,539	$ 201,829
Refundable advance	113,592	
Promises to give to others	452,779	1,009,708
Total current liabilities	633,910	1,211,537
Total liabilities	633,910	1,211,537
Net assets		
Unrestricted		
Undesignated	(189,192)	(1,094,968)
Board designated	15,669	16,287
Total unrestricted net assets	(173,523)	(1,078,681)
Temporarily restricted	1,239,303	1,917,636
Permanently restricted	5,109,931	3,771,676
Total net assets	6,175,711	4,610,631
Total liabilities and net assets	$6,809,621	$5,822,168

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Activities and Changes in Net Assets

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Donations	$ 361,936	$ 586,289	$1,413,012	$ 2,361,237
In-kind donations				
Donated assets	21,431			21,431
Donated material	31,904			31,904
Donated services	515,683			515,683
Miscellaneous revenue				
Total revenues	930,954	586,289	1,413,012	2,930,255
Assets released from restriction	1,432,579	(1,266,923)	(165,656)	-
Total revenues and reclassifications	2,363,533	(680,634)	1,247,356	2,930,255
EXPENSES				
Operating expenses	576,325			576,325
Program expenses	876,378			876,378
Fundraising expenses	8,246			8,246
Total expenses	1,460,949	-	-	1,460,949
OTHER INCOME (EXPENSE)				
Realized gain (loss) on sale of investments	(1,083)	(1,082)	(41,137)	(43,302)
Unrealized gain on investments	1,299	1,299	49,365	51,963
Interest and dividends income	2,358	2,084	82,671	87,113
Interest expense				
Total other income	2,574	2,301	90,899	95,774
Change in net assets	905,158	(678,333)	1,338,255	1,565,080
Net assets, beginning of year, as previously stated	(1,078,681)	1,917,636	3,771,676	4,610,631
Prior period adjustments				
Net assets, beginning of year, as restated	(1,078,681)	1,917,636	3,771,676	4,610,631
Net assets, end of year	$ (173,523)	$ 1,239,303	$5,109,931	$6,175,711

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

June 30, 2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 24,079	$ 692,317	$ 174,993	$ 891,389
19,935			19,935
21			21
532,137			532,137
889,800			889,800
1,465,972	692,317	174,993	2,333,282
1,149,341	(1,035,256)	(114,085)	-
2,615,313	(342,939)	60,908	2,333,282
753,106			753,106
1,008,290			1,008,290
3,332			3,332
1,764,728	-	-	1,764,728
362	271	8,411	9,044
19,052	13,853	437,452	470,357
3,933	2,950	91,434	98,317
(5,915)			(5,915)
17,432	17,074	537,297	571,803
868,017	(325,865)	598,205	1,140,357
(886,990)	2,243,501	3,173,471	4,529,982
(1,059,708)			(1,059,708)
(1,946,698)	2,243,501	3,173,471	3,470,274
$(1,078,681)	$ 1,917,636	$3,771,676	$4,610,631

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Cash Flows

For the Years Ended June 30,	2012	2011
Cash flows from operating activities		
Change in net assets	$ 1,565,080	$1,140,357
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities		
Unrealized gain on investments	(51,963)	(470,353)
Contribution of restricted donations	(1,413,012)	(1,071,857)
Provision for doubtful accounts	2,930	
Forgiveness of debt income		(889,800)
(Increase) decrease in:		
Accounts receivable	8,478	4,672
Prepaid expenses	(2,000)	
Unrestricted unconditional promises to give	272,584	11,721
Increase (decrease) in:		
Accounts payable	(134,290)	(4,741,862)
Refundable advance	113,592	
Net cash provided by (used in) operating activities	361,399	(6,017,122)
Cash flows from investing activities		
Purchase of investments	(1,309,232)	(147,780)
Proceeds from sale of investments	45,435	105,826
Net cash used in investing activities	(1,263,797)	(41,954)
Cash flows from financing activities		
Change in long-term unconditional promises to give	(91,381)	426,226
Payments on promises to give to others	(556,929)	(50,000)
Collections of restricted contributions	1,417,064	1,498,083
Net cash provided by financing activities	768,754	1,874,309
Net change in cash and cash equivalents	(133,644)	(4,184,767)
Cash and cash equivalents		
Balance, beginning of year	636,646	4,821,413
Balance, end of year	$ 503,002	$ 636,646
Required disclosure		
Interest paid		$5,915

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Functional Expenses

	For the Year Ended June 30, 2012			
	Operating	Program	Fundraising	Total
In-kind distributions				
Donated assets		$ 21,431		$ 21,431
Donated materials	$ 31,904			31,904
Donated services	515,683			515,683
Support – instructional and student programs		150,150		150,150
Scholarships		543,586		543,586
Printing	1,177	4,455	$7,315	12,947
Allowance for uncollected pledges	368	197		565
Investment fees		27,406		27,406
Office supplies	90	1,911		2,001
Postage	186			186
Aquatics complex				
Other services	26,917	127,242	931	155,090
Total expenses	$576,325	$876,378	$8,246	$1,460,949

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

For the Year Ended June 30, 2011			
Operating	Program	Fundraising	Total
	$ 19,935		$ 19,935
$ 21			21
532,137			532,137
	259,803		259,803
	616,685		616,685
8,322		$3,296	11,618
36,536			36,536
22,218	4,161		26,379
74		36	110
365			365
	3,848		3,848
153,433	103,858		257,291
$753,106	$1,008,290	$3,332	$1,764,728

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

The Riverside Community College District Foundation (the "Foundation") was formed as a nonprofit corporation on October 21, 1975, to solicit funds, provide support for the programs and projects of the Riverside Community College District (the "District"), and to account for the issuance of scholarships to the students of the District. The Foundation also serves as a link between the District and the community.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

The Foundation reports 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. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financial interrelated organizations as defined by the Financial Accounting Standards Board (FASB), Accounting Standards Codifaction 958-20, and *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others* (formerly FAS 136). The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program expenses.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Net Asset Classifications

Unrestricted net assets are not restricted by donors, or the donor–imposed restrictions have expired.

Temporarily restricted net assets contain donor–imposed restrictions that permit the Foundation to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets contain donor–imposed restrictions and stipulate that the resources be maintained permanently, but permit the Foundation to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. As restrictions on the net assets expire, due to time passing and earnings becoming available for expenditure, the funds are released to either temporarily restricted net assets or unrestricted net assets as applicable.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Expiration of Donor-Imposed Restrictions

Temporarily restricted net assets have donor-imposed restrictions that permit the Foundation to use up or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation. As the restrictions expire and become available for expenditure, the funds are released to unrestricted net assets.

Endowment Funds

The Foundation endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which has been enacted by the State of California. Donations made to the Foundation are classified as permanently restricted if the donor has stipulated the donations is to be held in perpetuity by the Foundation.

The Foundation has a spending policy which governs the funds to be transferred from the endowment. If the donor has provided endowment funds that are permanently restricted, the Foundation will obtain from the donor a description of any further restrictions to be placed on any earnings from the permanently restricted funds. If there are further restrictions, either program or time restrictions, the earnings are considered temporarily restricted until such time as the restrictions are met. Unspent earnings are returned to the corpus if required by the original agreement with the donor.

The Foundation's investment policy for endowment funds is to preserve and enhance the purchasing power while providing a relatively predictable, stable, and constant stream of earnings consistent with the Foundation's spending needs to enable the Foundation to provide scholarships to District students. Investments will be diversified to avoid undue risk and will be sufficiently liquid to meet operating requirements. Annual spending parameters take into consideration the rate of inflation and real growth of the pooled investment fund. Spending percentage shall be average earnings of the past three years, less inflation rate, at a maximum of 4.5 percent of a three-year average market value.

The permanently restricted balances at June 30, 2012 and 2011 were $5,109,931 and $3,771,674, respectively, and the balances designated for scholarships were $15,689 and $16,287, respectively. The endowment funds consist of pooled investment funds. The activity in the permanently restricted net asset class is reflected in the statement of activities and changes in net assets. Amounts appropriated for expenditures and/or reclassification are shown as net assets released from restriction. Board designated balance is included in the unrestricted net asset class.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/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. Expiration of restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as assets are released from restriction between the applicable classes of net assets.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period 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 at the time of the gift.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets, services, and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets, if received for the benefit of the Foundation, are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the District. During the years ended June 30, 2012 and 2011, all donated assets have been passed through to the District. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There were no unrelated business activities during the years ended June 30, 2012 and 2011. The Foundation is no longer subject to United States federal or state examinations by tax authorities for the years before 2009 and 2008, respectively. During the years ended June 30, 2012 and 2011, the Foundation did not recognize any interest or penalties associated with any tax positions.

Cash Equivalents for Statements of Cash Flows

For purposes of the statements of cash flows, the Foundation considers all highly liquid unrestricted investments available for current use purchased with an initial maturity of three months or less to be cash equivalents.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundations that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined the amount of allowance for uncollectible promises to give at June 30, 2012 and 2011 to be $9,997 and $12,929, respectively.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

2. Concentration of Risk

The Foundation has cash and cash equivalents in financial institutions that may or may not be insured by the Federal Deposit Insurance Corporation (FDIC). The normal FDIC limit is $250,000 per account and only covers actual cash on either interest or noninterest-bearing account types. However, until December 31, 2012, the FDIC limit has been extended to cover unlimited cash amounts held in noninterest-bearing accounts. At various times throughout the year, the Foundation may have cash balances at financial institutions which exceed the FDIC insurance limit. Additionally, the Foundation deposits are covered under the collateralization of governmental funds agreement which provides for collateralization of deposits with eligible securities at a rate of 110 percent of the deposit on hand. As of June 30, 2012, the balances held in financial institutions of $1,104,864 were not fully insured, but were collateralized with securities held by the financial institution, but not in the Foundation's name. Management reviews the balances and the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for the Foundation.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2012 and 2011 consist of pledges and are due within the following schedule:

	June 30,	
	2012	2011
Due within one year	$543,342	$383,544
Due within one to five years	96,191	
Less allowance for uncollectible promises to give	(9,997)	(12,929)
Total	$629,536	$370,615

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2012:

	2012 Adjusted Cost	2012 Fair Market Value	2012 Unrealized Gain
Equities	$1,673,330	$2,832,440	$1,159,110
Corporate bonds	680,846	1,077,527	396,681
Government bonds	513,373	529,130	15,757
Investment in the California Community Colleges Scholarship Osher Endowment Fund	365,168	365,168	
	$3,232,717	$4,804,265	$1,571,548

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2011:

	2011 Adjusted Cost	2011 Fair Market Value	2011 Unrealized Gain
Equities	$1,239,406	$2,075,813	$836,407
Corporate bonds	539,990	673,861	133,871
Government bonds	358,250	373,663	15,413
Investment in the California Community Colleges Scholarship Osher Endowment Fund	365,168	365,168	
	$2,502,814	$3,488,505	$985,691

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments (Continued)

The following provides a summary of the hierarchical levels 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 debt 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 or 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, where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012 and 2011:

Equities: Valued at the closing price in the active market on which the individual equities are traded.

Corporate and government bonds: Valued at the closing price reported in the active market on which the individual securities are traded.

Investment in California Community Colleges Scholarship Osher Endowment Fund: Valued at net asset value of underlying shares held by a banking institution at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments (Continued)

The table below presents the balance of assets measured at fair value for 2012. There were no liabilities outstanding and measured at fair value as of June 30, 2012.

	Carrying Value at June 30, 2012	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,606,657	$ 894,870	$ 711,787	
Investments – equities	2,832,440	1,457,598	1,374,842	
Investment in California Community Colleges Scholarship Osher Endowment Fund	365,168			$365,168
	$4,804,265	$2,352,468	$2,086,629	$365,168

There were no changes in the Foundation's level 3 assets measured at fair value for the year ended June 30, 2012.

The table below presents the balance of assets and liabilities measured at fair value for 2011:

	Carrying Value at June 30, 2011	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,047,524	$ 616,637	$ 430,887	
Investments – equities	2,075,813	1,064,132	1,011,681	
Investment in California Community Colleges Scholarship Osher Endowment Fund	365,168			$365,168
	$3,488,505	$1,680,769	$1,442,568	$365,168

The following table presents changes in the fair value of the Foundation's level 3 assets for the year ended June 30, 2011:

Level 3 Assets

Balance, beginning of year	$202,667
Additions	162,501
Balance, end of year	$365,168

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

5. Accounts Payable

Accounts payable for the Foundation consisted of the following:

	June 30,	
	2012	2011
Payable to District for program expenses	$65,619	$ 49,098
Vendor payables	1,920	152,731
	$67,539	$201,829

6. Refundable Advances

During the year ended June 30, 2012, the Foundation was awarded a $350,000 grant to develop an education model in conjunction with a local unified school district through the fall of 2014. As of June 30, 2012, $120,000 of the $350,000 total grant was received. Of the total received, $6,408 has been spent on program expenses and thus recognized as revenue in the year ended June 30, 2012. The remaining unspent amount of $113,592 is included in refundable advance.

7. Net Assets

At June 30, 2012 and 2011, unrestricted net assets included $15,669 and $16,287, respectively, designated by the board of directors for scholarships.

At June 30, temporarily restricted net assets were available for the following purposes:

	2012	2011
Scholarships	$ 619,971	$ 789,648
Programs	619,332	1,127,988
	$1,239,303	$1,917,636

At June 30, 2012 and 2011, permanently restricted net assets consisted of $5,109,931 and $3,771,676, respectively, with investment earnings restricted for scholarships.

The unrestricted fund of the Foundation has incurred operating deficits in past years that created a net deficit ending balance. Management has increased unrestricted fundraising efforts and has reduced operating costs to correct this deficit. As of June 30, 2012 and 2011, the unrestricted fund had a deficit ending balance of $780,453 and $1,128,677, respectively. The board is in the process of seeking unrestricted resources to bring the operating fund to a positive position.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

8. Forgiveness of Debt

In 2011, the Foundation received notice of the forgiveness in full of $889,800 in long-term debt outstanding with Riverside Community College District, which covered costs associated with the major gifts campaign. The Foundation has no future obligation related to this debt. Forgiveness of debt income is included within the statement of activities as unrestricted revenue of $889,800.

9. Related Party Transactions

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as instructional and student programs and scholarship expense. The Foundation has contributed $148,819 and $95,065 to the District for student programs for the years ended June 30, 2012 and 2011, respectively. The Foundation has contributed $543,586 and $603,256 to the District for student scholarships for the years ended June 30, 2012 and 2011, respectively. Additionally, the Foundation promised to give a total $5,833,783 of which $1,700,000 and $3,054,000 were to be passed through from the County of Riverside and the City of Riverside, respectively, under a memorandum of understanding with the District for construction of the Aquatics Complex. As of June 30, 2012 and 2011, the Foundation owed the District $452,779 and $1,009,708, respectively, of the original promise and an additional $57,431 promised by the City of Riverside and County of Riverside for diving boards.

The District provides office space and other support to the Foundation. The Foundation office is currently housed in a building, which is owned by the District, and is jointly used by both the District and the Foundation. The Foundation leases the property at a cost of $1.00 per year. This agreement expires November 30, 2018.

The Foundation received contributed employee services, other professional services, and materials valued at $547,587 and $532,158 from the District for the years ended June 30, 2012 and 2011, respectively.

10. Commitments

The Foundation is the fiscal agent for a scholarship component of a District Gear-Up Grant through the Department of Education. As of June 30, 2012, the Foundation has received a total of $1,293,212 for years one through five of the five-year grant. At June 30, 2012, the funds, including interest income less a small amount expended for investment management fees, are included in the Foundation's temporarily restricted scholarship funds and total $217,836. The Foundation began distributing the funds in the summer of 2007. During the year ended June 30, 2012, the Foundation has expended $203,955 in scholarships and expenses related to the program.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

11. Prior Period Adjustments

In the consolidated financial statements for the year ended June 30, 2010, a restatement was made in accounting for promises to give to others.

This restatement was made and has the following effect on the beginning net assets for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning net assets, as previously reported	$ (886,990)	$2,243,501	$3,173,471	$4,529,982
Adjustments to record promises to give to others	(1,059,709)			(1,059,709)
Beginning net assets, as restated	$(1,946,699)	$2,243,501	$3,173,471	$3,470,273

12. Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities 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 reasonably possible that changes in the values of investment securities will occur in the near term. The volatility of the market and credit institutions after June 30, 2012 could have a significant, negative effect on the Foundation's investments.

13. Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 6, 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.

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Certified Public Accountants

To the Board of Directors
Riverside Community College District Foundation

We have audited the financial statements of Riverside Community College District Foundation (the "Foundation") for the year ended June 30, 2012, and have issued our report thereon dated November 6, 2012 . Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> The fair market value of investments is based upon market analysis as of June 30, 2012. We have obtained information from the investment managers in determining the fair presentation of these amounts. We evaluated the key factors and assumptions used to develop this estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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The following material misstatements detected as a result of audit procedures were corrected by management:

- A prior period adjustment for the promise to give to the District of $1,009,708 at June 30, 2011, and
- An adjustment to record a refundable advance to the James Irvine Foundation for $113,592.

Professional standards require that we inform you about uncorrected misstatements aggregated by us during our engagement that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The misstatements are listed in the attached summary of audit differences.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Ahern Adcock Devlin LLP

Riverside, California
November 6, 2012

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Summary of Audit Differences

June 30, 2012

(1)

Temporarily restricted contribution revenue	$3,093	
Discount on pledges receivable		$3,093

To discount pledges receivable to net realizable value at June 30, 2012.

(2)

Temporarily restricted net assets	$25,000	
Temporarily restricted revenue		$25,000

To record prior year adjustment for Kaiser grant that was a refundable advance at June 30, 2011.