



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
South Arkansas Community College Foundation, Inc..  
El Dorado, Arkansas

We have audited the accompanying statement of financial position of South Arkansas Community College Foundation, Inc. (a non-profit organization) as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. 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 South Arkansas Community College Foundation, Inc., as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with U. S. generally accepted accounting principles.

*Evers, Cox + Gober, P.L.L.C.*

Evers, Cox & Gober, P.L.L.C.  
El Dorado, Arkansas  
October 15, 2010

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**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Statement of Financial Position  
June 30, 2010**

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**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 872,893
Pledges receivable, current portion (Note 2)	62,300
Accrued interest receivable	12
Prepaid expenses	3,225
Investments (Note 3)	510,225

**Total Current Assets** 1,448,655

**Fixed Assets, at cost**

Computer software	6,365
Property and equipment	99,548
	<u>105,913</u>
Less: accumulated depreciation and amortization	<u>74,939</u>

**Total Fixed Assets** 30,974

**Other Assets**

Antique furniture (Note 10)	2,410
Pledges receivable (Note 2)	106,901

**Total Other Assets** 109,311

**\$ 1,588,940**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 4,094
Scholarships payable (Note 6)	12,109
Refundable advances	4,550

**Total Current Liabilities** 20,753

**Net Assets**

Unrestricted (Note 7)	846,466
Unrestricted - Board designated (Note 7)	30,000
Temporarily restricted (Note 7)	691,721

**Total Net Assets** 1,568,187

**\$ 1,588,940**

See accompanying notes.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Statement of Activities  
For the Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and</b>			
<b>Other Support</b>			
General contributions	\$ 20,532	\$ 14,792	\$ 35,324
Endowed contributions	107,131	33,772	140,903
Capital campaign		63,055	63,055
Special events	41,706		41,706
Investment income (loss) (Note 3)	31,710	19,027	50,737
Rent income (Note 11)	1,550		1,550
Net assets released due to satisfaction of program restrictions	183,730	(183,730)	0
<b>Total revenues, gains and other support</b>	<u>386,359</u>	<u>(53,084)</u>	<u>333,275</u>
<b>Expenses</b>			
<b>Program services</b>			
Scholarships	69,871		69,871
Grants and awards	20,243		20,243
<b>Total program services</b>	<u>90,114</u>		<u>90,114</u>
<b>Supporting services</b>			
Management and general	31,008		31,008
Fund raising	31,338		31,338
<b>Total supporting services</b>	<u>62,346</u>		<u>62,346</u>
<b>Total expenses</b>	<u>152,460</u>		<u>152,460</u>
<b>Change in Net Assets</b>	233,899	(53,084)	180,815
<b>Net Assets - Beginning of Year</b>	<u>642,567</u>	<u>744,805</u>	<u>1,387,372</u>
<b>Net Assets- End of Year</b>	<u>\$ 876,466</u>	<u>\$ 691,721</u>	<u>\$ 1,568,187</u>

See accompanying notes.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Statement of Cash Flows**  
***For the Year Ended June 30, 2010***

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**Cash Flows from Operating Activities**

Change in net assets	\$ 180,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(33,637)
Depreciation	14,588
Capital campaign contributions	(63,055)
Decrease in pledge receivables	58,660
Decrease in accrued interest receivable	511
Increase in prepaid expenses	(1,148)
Increase in accounts payable	3,614
Increase in scholarships payable	3,418
Decrease in refundable advances	(300)
	<hr/>
<b>Net cash provided by operating activities</b>	<b>163,466</b>

**Cash Flows from Investing Activities**

Sale of fixed assets	1,365
Purchases of investments	(34,546)
	<hr/>
<b>Net cash used in investing activities</b>	<b>(33,181)</b>

**Cash Flows from Financing Activities**

Contributions for capital campaign	63,055
	<hr/>
<b>Net cash provided by financing activities</b>	<b>63,055</b>

**Net Increase in Cash** 193,340

**Cash and Cash Equivalents at  
Beginning of Year** 679,553

**Cash and Cash Equivalents at  
End of Year** \$ 872,893

**Supplemental disclosures of cash flow information:**

The organization received in-kind contributions for their fund raising events during the year ended June 30, 2010 in the amount of \$16,345.

See accompanying notes.

# **SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.**

## **Notes to Financial Statements**

**June 30, 2010**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of the Organization*** - South Arkansas Community College Foundation, Inc. was created for the purpose of providing funds and assisting in the management of funds raised on behalf of South Arkansas Community College. Funds raised by the organization on behalf of the college are used to further the literary, scientific and educational purposes of South Arkansas Community College. South Arkansas Community College Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509 (a)(3) of the Internal Revenue Code.

***Basis of Accounting*** - The financial statements of the Organization have been prepared on the accrual basis in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry audit guide, *Not-For-Profit Organizations*. Net assets are broken into the following sub-sections:

***Unrestricted net assets*** - The part of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

***Temporarily restricted net assets*** - The part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulation, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

***Permanently restricted net assets*** - The part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

***Cash and Cash Equivalents*** - Cash and cash equivalents consist of cash and highly liquid investments with a maturity date of three months or less. For purposes of the statement of cash flows, the Organization does not consider cash balances within its managed investment portfolio as cash and cash equivalents.

***Contributions of Cash and Other Assets*** - All public support and revenues are considered to be available for unrestricted use unless specifically restricted at the donor's discretion.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give cash or other assets are recognized as contribution revenue or contribution receivable only after the conditions are substantially met.

**Contributed Services** - Contributed services are not recorded due to the lack of specialization of the labor, difficulty of placing a monetary value on them and the absence of control over them. However, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fundraising.

**Contributions Receivable and Uncollectable Contributions** - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which promises are to be received.

The organization uses the allowance method to determine uncollectable unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Property, Equipment and Depreciation** - Property and equipment purchased by the Organization are recorded at cost at the date of acquisition. Contributed assets are capitalized at their fair values at the date of contribution. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Computer software is being amortized over the estimated useful life of three years on a straight-line basis. Tangible personal property is being depreciated between three and seven years.

**Allocated Expenses** - Expenses by function have been segregated between Program Services and Supporting Services based on direct identification or allocation based on related financial or nonfinancial data.

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair market value in the statement of financial position. Realized and unrealized gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations. Donated investments are reflected as contributions at their fair market value on the date of receipt.

**Spending Policy**- The organization's spending policy consists of annually distributing not more than 5% of a trailing three-year average of any endowment's total asset value. The Finance Committee reviews the spending policy against actual returns in order to make adjustments necessary for the preservation of purchasing power of the endowments. The Board of Directors approves the spending rate annually.

# SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Subsequent Events* - Management has evaluated events through October 15, 2010, the date the financial statements were available to be issued.

### 2. PLEDGES RECEIVABLE

The Organization had received the following unconditional promises to give at June 30, 2010:

Receivable in less than one year	\$	68,343
Receivable in one to five years		134,150
Less allowance for unfulfilled pledges		(17,774)
Less discount to net present value		<u>(15,518)</u>
Net present value of pledges receivable, net of allowance	\$	<u>169,201</u>

Pledges receivable at June 30, 2010 have been presented in the financial statements as follows:

Pledges receivable, current portion	\$	62,300
Pledges receivable, long- term portion		<u>106,901</u>
	\$	<u>169,201</u>

The carrying value of promises to give approximates fair value due to the short-term nature and historical collectibility.

### 3. INVESTMENTS

The Organization's short-term investments are comprised of equity and debt securities, all of which are classified as trading securities and are carried at their fair value based on quoted market prices at June 30, 2010. Net realized and unrealized gains and losses on trading securities are included in net earnings. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Notes to Financial Statements**

**June 30, 2010**

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**3. INVESTMENTS (continued)**

A summary of the Organization's investments at June 30, 2010 is as follows:

	<u>Fair Value</u>
Cash investments	\$ 26,050
Equities	52,458
Bonds	9,338
Mutual Funds	<u>422,379</u>
	<u>\$ 510,225</u>

Investment income for the year ended June 30, 2010 consisted of the following:

Net realized and unrealized gains	\$ 33,637
Dividend income	12,870
Interest income	615
Less: Investment fees	<u>(4,290)</u>
	42,832
Short-term investment interest income	<u>7,905</u>
	<u>\$ 50,737</u>

**Fair Value Measurements** – FASB ASC related to Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2* – Inputs include (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs are unobservable and significant to the fair value measurement.

The asset 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. There were no changes in the methodologies used during the year ended June 30, 2010. The Organization's fixed income and equity securities are valued at the closing price reported in the active market in which the individual security is traded.



**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Notes to Financial Statements**  
**June 30, 2010**

**3. INVESTMENTS (continued)**

The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of June 30, 2010.

Description	Quoted Prices in	Significant	Significant	Fair Value
	Active Markets for Identical Assets	Other Observable Inputs	Unobservable Inputs	
	Level 1	Level 2	Level 3	6/30/2010
Cash and equivalents	\$ 26,050	\$ -	\$ -	\$ 26,050
Fixed income securities	9,338	-	-	9,338
Mutual Funds	422,379	-	-	422,379
Equity securities	52,458	-	-	52,458
Total	\$ 510,225	\$ -	\$ -	\$ 510,225

The Organization's board has interpreted state law as requiring the preservation of the purchasing power (real value) of the endowment funds unless explicit donor stipulations specify how net appreciation must be used. To meet that objective, the Organization's investment policies require that the funds original endowment amount never be invaded for distributions. State law allows the board to appropriate so much of net appreciation as is prudent considering the Organization's long-and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level and general economic conditions. Under the Organization's endowment spending policy, 5 percent of the trailing three-year average of the endowment's total assets value if appropriated. This trailing three year average is calculated using the previous three fiscal years ending on June 30.

**4. ENDOWMENTS**

The majority of the Organization's investments consist of individual endowments funds established for a variety of purposes. The endowments are invested in short-term investments comprised of equity and debt securities, all of which are classified as trading securities and are carried at their fair value based on quoted market prices at June 30, 2010. Net realized and unrealized gains and losses on trading securities are included in net earnings. For purpose of determining realized gains and losses the cost of securities sold is based on specific identification.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Notes to Financial Statements**

**June 30, 2010**

**4. ENDOWMENTS (continued)**

*Investment Policy* - The Organization has adopted a spend rate of 5% for purposes of annual endowment fund withdrawals. This commonly used strategy allows a set percentage of the Organization's portfolio to be withdrawn each year. To protect the endowment assets and the distributions produced by the spend rate from wide fluctuations, calculation of the spending amount is based on a trailing three-year average of the endowment's total asset value.

In establishing this policy, the Organization considered the long-term expected investment return on its investments as well as the provisions of specific fund trust agreements. This is consistent with the Organization's objective to maintain the purchasing power of the assets as well as to provide additional real growth through investment return. To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible.

Accordingly, the Organization expects its investments, over time, to produce an average rate of return equal to or greater than the amount of the Consumer Price Index plus 5% generated over a 5 year period. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total investment base; investment assets and allocation between asset classes and strategies are managed to not expose any fund to unacceptable levels of risk.

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowments	\$ 744,811	\$ 691,721	\$ -	\$ 1,436,532
Board-designated endowments	30,000	-		30,000
<b>Total Endowment Funds</b>	<u>\$ 774,811</u>	<u>\$ 691,721</u>	<u>\$ -</u>	<u>\$ 1,466,532</u>

A reconciliation of the beginning and ending balances of endowment investments in total and by net asset class for the year ended June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
<b>Endowments, beginning of year</b>	\$ 563,581	\$ 744,805	\$ -	\$ 1,308,386
Contributions	104,761	111,619	-	216,380
Dividend and interest income	10,265	6,288	-	16,553
Unrealized gains (losses), net	14,903	16,024		30,927
Fiduciary fees	(1,892)	(2,029)	-	(3,921)
Reclassification	119,279	(119,279)		0
Distributions	(36,086)	(65,707)	-	(101,793)
<b>Endowments, end of year</b>	<u>\$ 774,811</u>	<u>\$ 691,721</u>	<u>\$ -</u>	<u>\$ 1,466,532</u>

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Notes to Financial Statements**

**June 30, 2010**

**4. ENDOWMENTS (continued)**

The Organization's board has interpreted state law as requiring the preservation of the purchasing power (real value) of the endowment funds unless explicit donor stipulations specify how net appreciation must be used. To meet that objective, the Organization's investment policies require that the funds original endowment amount never be invaded for distributions. State law allows the board to appropriate so much of net appreciation as is prudent considering the Organization's long-and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level and general economic conditions. Under the Organization's endowment spending policy, 5 percent of the trailing three-year average of the endowment's total asset value is appropriated. This trailing three year average is calculated using the previous three fiscal years ending on June 30.

**5. EXPENSES**

Expenses incurred by the Organization are reported in the statements of activities by function, segregated between Program Services and Supporting Services. A summary of expenses for the year ended June 30, 2010 by their natural classifications is as follows:

	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>
Scholarship expense	\$ 69,871	\$ 69,871	\$	\$
Grants and awards	7,750	7,750		
General fundraising	30,640			30,640
Capital campaign	698			698
Office supplies, printing	10,345		10,345	
Salary	8,458		8,458	
Accounting fees	4,525		4,525	
Travel	53		53	
Meals	1,265		1,265	
Telephone	1,462		1,462	
Miscellaneous	1,583		1,583	
Loss on disposal of fixed assets	1,222	161	1,061	
Depreciation	<u>14,588</u>	<u>12,332</u>	<u>2,256</u>	
	<u>\$ 152,460</u>	<u>\$ 90,114</u>	<u>\$ 31,008</u>	<u>\$ 31,338</u>

**6. PAYABLES**

The Organization had awarded unconditional scholarships, payable in less than one year, to various individuals at June 30, 2010 in the amount of \$12,109.

# **SOUTH ARKANSAS COMMUNITY COLLEGE FOUNDATION, INC.**

## **Notes to Financial Statements** *June 30, 2010*

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### **7. UNRESTRICTED NET ASSETS AND TEMPORARILY RESTRICTED NET ASSETS**

The Organization has \$691,721 in temporarily restricted net assets which were received in the form of direct donations and special fundraising events. These net assets are restricted by the donors for use within various services of the Organization. All other donations received by the Organization from donors and the income earned on the principal balances are to be used in accordance with donor's stipulations. However, each fund established with the Organization has been structured to allow the organization variance power over the net assets contained within the fund. Therefore, the Organization's Board of Directors has the ability to redirect the use of these assets if the restrictions placed by the donor effectively become unnecessary, incapable of fulfillment, or inconsistent with charitable needs of the community or area served. Accordingly, the remaining net assets of the Organization are reported as unrestricted.

At June 30, 2010, the board had designated \$30,000 for future scholarship awards.

### **8. RELATED PARTY TRANSACTIONS**

South Arkansas Community College Foundation, Inc. (SACCFI) and the South Arkansas Community College (SACC) have some common directors and officers. SACCFI received from SACC during the year ended June 30, 2010 contributions from SACC employees in the amount of \$15,567. Also, SACCFI awarded a total of \$69,871 in scholarships to SACC students during the same fiscal year with \$12,109 of that amount included in payables. During the year ended June 30, 2010, SACCFI paid SACC administrative expenses of \$8,458.

Also, during the year ended June 30, 2010 the Organization received a total of \$49,925 in contributions from its various board members.

### **9. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consists principally of pledge receivables and temporary cash investments. The pledge receivables due from various donors are uncollateralized. At June 30, 2010, the Organization's cash balance exceeded federally insured limits by \$384,630. The cash balance exceeding the insured limits were collateralized in the Organization's name with Simmons First Bank pledging \$500,000 in assets, at June 30, 2010.

### **10. OTHER ASSETS**

Included in other assets are antique furniture and other artifacts with a fair market value of \$2,410. These items are on display in the administration building in the college.

**SOUTH ARKANSAS COMMUNITY  
COLLEGE FOUNDATION, INC.**

**Notes to Financial Statements**  
***June 30, 2010***

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**11. LEASES (LESSOR)**

The Organization owns and maintains a hangar at the Goodwin Field Airport, located in Union County and leases the hangar. The term of the lease is from April 1, 2010 and ends on April 1, 2011. At June 30, 2010, the hangar had a net book value of \$19,717 summarized as follows:

Cost	\$ 22,750
Accumulated depreciation	<u>3,033</u>
	<u>\$ 19,717</u>

Future minimum rentals on the non-cancelable lease at June 30, 2010 are as follows:

2011	\$ 1,000
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Prior to the issuance of the financial statements, the Organization had signed a contract to sell the hangar that was valid until April 1, 2011.

**12. OPERATING LEASES (LESSEE)**

The Organization has a non-cancelable lease for the land at the Goodwin Field Airport for an annual payment of \$552. The lease period began December 21, 2008 and expires December 20, 2013. Future minimum lease payments under the operating lease as of June 30, 2010 are:

2011	\$ 552
2012	\$ 552
2013	\$ 552
2014	\$ 552