

GUAM COMMUNITY COLLEGE FOUNDATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2015 AND 2014



Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913-3911
USA

Tel: (671)646-3884
Fax: (671)649-4932
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Board of Governors
Guam Community College Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Guam Community College Foundation (the Foundation) which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

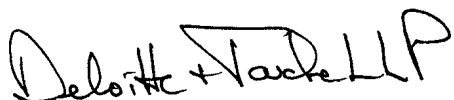
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guam Community College Foundation as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Combining Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information on pages 11-12 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Foundation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Deloitte + Stach LLP". The signature is written in a cursive, stylized font.

March 5, 2016

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position September 30, 2015 and 2014

	ASSETS	2015	2014
Cash and cash equivalents		\$ 54,446	\$ 408,921
Investments		9,542,462	9,488,438
Due from GCC		260,675	-
Accounts receivable		2,070	2,070
Plant and equipment, net		18,008	18,008
Total assets		<u>\$ 9,877,661</u>	<u>\$ 9,917,437</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable		\$ 845,041	\$ 357,686
Total liabilities		<u>845,041</u>	<u>357,686</u>
Commitments			
Net assets:			
Unrestricted		8,970,983	9,498,114
Temporarily restricted		18,008	18,008
Permanently restricted		43,629	43,629
		<u>9,032,620</u>	<u>9,559,751</u>
Total net assets and liabilities		<u>\$ 9,877,661</u>	<u>\$ 9,917,437</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities
Years Ended September 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other additions:								
Net investment (loss) gain	\$ (335,975)	\$ -	\$ -	\$ (335,975)	\$ 693,466	\$ -	\$ -	\$ 693,466
Interest income	55	-	-	55	65	-	-	65
Fundraising	29,976	-	-	29,976	45,965	-	-	45,965
Other additions	402,827	-	-	402,827	119,958	-	-	119,958
Total gains and other additions	96,883	-	-	96,883	859,454	-	-	859,454
Expenditures and other deductions:								
Transfer (from) to Guam Community College	396,475	-	-	396,475	(267,424)	-	-	(267,424)
Fundraising expenses	11,974	-	-	11,974	11,525	-	-	11,525
Professional services	2,700	-	-	2,700	3,950	-	-	3,950
Scholarship	-	-	-	-	1,500	-	-	1,500
Other deductions	212,865	-	-	212,865	262	-	-	262
Total expenditures and other deductions	624,014	-	-	624,014	(250,187)	-	-	(250,187)
Change in net position	(527,131)	-	-	(527,131)	1,109,641	-	-	1,109,641
Net assets at beginning of year	9,498,114	18,008	43,629	9,559,751	8,388,473	18,008	43,629	8,450,110
Net assets at end of year	<u>\$ 8,970,983</u>	<u>\$ 18,008</u>	<u>\$ 43,629</u>	<u>\$ 9,032,620</u>	<u>\$ 9,498,114</u>	<u>\$ 18,008</u>	<u>\$ 43,629</u>	<u>\$ 9,559,751</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (527,131)	\$ 1,109,641
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in due from GCC	(260,675)	-
(Decrease) increase in accounts payable	487,356	(256,607)
Net investment (gains) loss	<u>335,975</u>	<u>(693,466)</u>
Net cash provided by operating activities	<u>35,525</u>	<u>159,568</u>
Net cash provided by investing activities:		
Transfer to GCC	<u>(390,000)</u>	<u>-</u>
Change in cash and cash equivalents	(354,475)	159,568
Cash and cash equivalents at beginning of year	<u>408,921</u>	<u>249,353</u>
Cash and cash equivalents at end of year	<u>\$ 54,446</u>	<u>\$ 408,921</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
September 30, 2015 and 2014

(1) Summary of Significant Accounting and Reporting Policies

The Guam Community College Foundation (the Foundation) was founded in August 1982 as a non-profit, public benefit corporation, which operates under a separate Board of Governors from that of the Guam Community College (the College). The Foundation conducts its operations under the laws of Guam and the laws of the United States applicable to Guam for educational, scientific and charitable purposes. The primary purposes of the Foundation are to provide a vehicle for the contributions of funds to support activities, goals, plans, projects, and programs at the Guam Community College that are not funded or not adequately being funded by the government or traditional resources and to provide a public community relations program.

Basis of Presentation

Not-for-profit organizations are required to provide a statement of financial position, a statement of activities, and a statement of cash flows which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Organizations are required to report total assets, liabilities, and net assets in a statement of financial position; change in net assets in a statement of activities; and change in cash and cash equivalents in a statement of cash flows. Additionally, investments are to be carried at market values.

The Foundation maintains its accounts on the accrual basis of accounting. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by acts of the Foundation and/or the passage of time.

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 received 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. Expirations of temporary restrictions on net assets, i.e., donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Fund Accounting

Resources of the Foundation are classified for accounting and reporting purposes into funds that reflect the specific activities, objectives, or restrictions of the resources. Separate accounts are maintained within each fund.

GUAM COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
September 30, 2015 and 2014

(1) Summary of Significant Accounting and Reporting Policies, Continued

Fund Accounting, Continued

In the accompanying financial statements, since the Quasi-Endowment and Term Endowment Funds have similar characteristics, they are combined into one fund group which is accounted for within unrestricted net assets.

Description of Funds

The Quasi-Endowment Fund accounts for endowments which have been designated by the College to be retained and invested and which both principal and income are normally utilized at the discretion of the governing board.

The Term Endowment Fund accounts for a U.S. governmental grant of \$500,000 and a matching equivalent from the College. The U.S. Government stipulated that during the twenty-year term of the grant, the Foundation may not withdraw or spend any part of the endowment fund corpus, (neither the Federal half nor the institutional matching half), the funds must remain inviolate, and the funds may be invested only in low-risk securities to produce income that may be expended or added to principal. However, the Foundation may not use more than fifty percent of the aggregate income earned. The twenty-year term of the grant was completed on November 30, 2011 and, there are no continuing requirements.

Taxation

The Foundation has been exempted from Guam income tax and Guam gross receipts tax. The Foundation files informational tax returns, as required.

For Guam income tax purposes, a tax year generally remains open to assessment and collection for three years after the later of the due date for filing a tax return or the date on which the tax payer files its return.

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statements of financial position and the statements of cash flows consists of cash in banks, cash invested in money market funds and custodial funds held by the investing institutions all of which have initial maturities of three months or less.

The Foundation's cash balances in the amount of \$54,446 and \$408,921 at September 30, 2015 and 2014, respectively, are insured by the Securities Investor Protection Corporation. The remaining amount is insured by Federal Deposit Insurance Corporation.

Investments

The Foundation accounts for its investments at market value. Market value is determined using quoted market prices. Investment income consists of interest and dividend income, realized gains and losses, and the net change for the year in the fair value of investments.

GUAM COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
September 30, 2015 and 2014

(1) Summary of Significant Accounting and Reporting Policies, Continued

Investments, Continued

The Foundation has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 320-958 *Investments-Not-For-Profit Entities* which requires that equity securities that have readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position.

The Foundation uses fair value measurements to record fair value adjustments to all investments and to determine fair value disclosures. In accordance with FASB ASC Topic 820 "Fair Value Measurements and Disclosures," the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. FASB ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury securities 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 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 and estimation.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. The Foundation has determined that all of its investments are Level 1 assets.

Plant and Equipment

Plant and equipment are recorded at cost. The Foundation utilizes the straight-line method of depreciation over the estimated useful lives of all plant and equipment.

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 disclosures 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.

GUAM COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
September 30, 2015 and 2014

(1) Summary of Significant Accounting and Reporting Policies, Continued

Subsequent Events

The Foundation has considered subsequent events through March 5, 2016, the date on which the financial statements were available to be issued.

(2) Investments

The original cost and market values of investments at September 30, 2015 and 2014, are:

	<u>2015</u>		<u>2014</u>
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
	<u>\$4,894,701</u>	<u>\$9,542,462</u>	<u>\$4,894,734</u>
			<u>Market Value</u>
			<u>\$9,488,438</u>

The following represents the composition of market values of the above investments:

	<u>2015</u>	<u>2014</u>
Equities and related	\$ 6,317,933	\$ 6,935,670
Mutual funds	596,502	853,586
Government securities	2,065,323	1,267,169
Cash and equivalents	<u>562,704</u>	<u>432,013</u>
	<u>\$ 9,542,462</u>	<u>\$ 9,488,438</u>

The following represents the composition of the net investment gains for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrealized investment (losses) gains	\$ (432,674)	\$ 706,512
Net realized investment (losses) gains	(184,326)	(102,936)
Interest income and dividends	<u>281,025</u>	<u>89,890</u>
	<u>\$ (335,975)</u>	<u>\$ 693,466</u>

(3) Plant and Equipment

Plant and equipment at September 30, 2015 and 2014 consists of the following:

	<u>Estimated Useful Life</u>	<u>2015</u>	<u>2014</u>
Building	20 years	\$ 1,200,533	\$ 1,200,533
Other equipment	6 years	10,670	10,670
Less accumulated depreciation		<u>(1,193,195)</u>	<u>(1,193,195)</u>
		<u>\$ 18,008</u>	<u>\$ 18,008</u>

GUAM COMMUNITY COLLEGE FOUNDATION

Notes to Financial Statements
September 30, 2015 and 2014

(4) Other Additions

Other additions include donations and cash proceeds from fund raising activities, as follows:

	<u>2015</u>	<u>2014</u>
Quasi-Endowment Fund:		
Donations	\$ 11,700	\$ 119,947
Miscellaneous	1,126	11
Transfers in	<u>390,000</u>	<u>-</u>
	\$ <u>402,826</u>	\$ <u>119,958</u>

(5) Commitments

During the year ended September 30, 2004, the College entered into a twenty-year long-term \$440,000 note for the purpose of upgrading campus water supply systems. The note bears interest of 4.375%. In May 2004, the Foundation's Board of Governors passed a resolution, authorizing the Foundation to transfer money from the Quasi-Endowment Fund to the College for loan repayment in monthly installments of \$2,755, totaling \$661,200. The Foundation records the expense when the actual cash transfer occurs.

Funds transferred to (from) the College during the years ended September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Quasi-Endowment Fund:		
Committed project	\$ 6,475	\$ 112,923
Direct expenditures of		
Development and Alumni Relations	<u>390,000</u>	<u>(380,347)</u>
	\$ <u>396,475</u>	\$ <u>(267,424)</u>

Accounts payable as of September 30, 2015 and 2014 are substantially due to the College.

GUAM COMMUNITY COLLEGE FOUNDATION

Combining Statement of Financial Position
September 30, 2015

<u>ASSETS</u>	Quasi- Endowment Fund	U.S. Term Endowment Fund #1	U.S. Term Endowment Fund #2	Ridgell Endowment	Pacific Island Endowment	Arizala Endowment	Total All Funds	Investment in Plant	Grand Total
Cash and cash equivalents	\$ 54,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,446	\$ -	\$ 54,446
Due from GCC	260,675	-	-	-	-	-	260,675	-	260,675
Investments	153,189	5,140,507	3,926,607	46,640	240,161	35,358	9,542,462	-	9,542,462
Accounts receivable	2,070	-	-	-	-	-	2,070	-	2,070
Plant and equipment, net	-	-	-	-	-	-	-	18,008	18,008
Total assets	<u>\$ 470,380</u>	<u>\$ 5,140,507</u>	<u>\$ 3,926,607</u>	<u>\$ 46,640</u>	<u>\$ 240,161</u>	<u>\$ 35,358</u>	<u>\$ 9,859,653</u>	<u>\$ 18,008</u>	<u>\$ 9,877,661</u>
<u>NET ASSETS</u>									
Liabilities:									
Accounts payable	\$ 845,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 845,041	\$ -	\$ 845,041
Net assets:									
Unrestricted	(398,841)	5,140,507	3,926,607	37,191	240,161	25,358	8,970,983	-	8,970,983
Temporarily restricted	-	-	-	-	-	-	-	18,008	18,008
Permanently restricted	24,180	-	-	9,449	-	10,000	43,629	-	43,629
Total net assets and liabilities	<u>\$ 470,380</u>	<u>\$ 5,140,507</u>	<u>\$ 3,926,607</u>	<u>\$ 46,640</u>	<u>\$ 240,161</u>	<u>\$ 35,358</u>	<u>\$ 9,859,653</u>	<u>\$ 18,008</u>	<u>\$ 9,877,661</u>

See Accompanying Independent Auditors' Report.

GUAM COMMUNITY COLLEGE FOUNDATION

Combining Statement of Activities
Year Ended September 30, 2015

	Quasi- Endowment Fund	U.S. Term Endowment Fund #1	U.S. Term Endowment Fund #2	Ridgell Endowment	Pacific Island Endowment	Arizala Endowment	Total All Funds	Investment in Plant	Grand Total
Revenues, gains and other additions:									
Unrestricted:									
Investment income:									
Interest/dividend income	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55	\$ -	\$ 55
(Loss) gain on pooled investments	(389,133)	29,103	22,231	264	1,360	200	(335,975)	-	(335,975)
Net assets released from restriction due to expiration of time restriction	-	-	-	-	-	-	-	-	-
Other additions	432,803	-	-	-	-	-	432,803	-	432,803
Total gains and other additions unrestricted	43,725	29,103	22,231	264	1,360	200	96,883	-	96,883
Temporarily restricted:									
Net assets released from restriction due to expiration of time restriction	-	-	-	-	-	-	-	-	-
Total losses and other additions temporarily restricted	-	-	-	-	-	-	-	-	-
Permanently restricted:									
Other additions	-	-	-	-	-	-	-	-	-
Total gains and other additions permanently restricted	-	-	-	-	-	-	-	-	-
Expenditures and other deductions:									
Unrestricted:									
Transfer to Guam Community College	396,475	-	-	-	-	-	396,475	-	396,475
Fundraising expenses	11,974	-	-	-	-	-	11,974	-	11,974
Professional services	2,700	-	-	-	-	-	2,700	-	2,700
Scholarships	-	-	-	-	-	-	-	-	-
Other deductions	212,865	-	-	-	-	-	212,865	-	212,865
Total expenditures and other deductions unrestricted	624,014	-	-	-	-	-	624,014	-	624,014
Increase in unrestricted net assets	(580,289)	29,103	22,231	264	1,360	200	(527,131)	-	(527,131)
Decrease in temporarily restricted net assets	-	-	-	-	-	-	-	-	-
Increase in permanently restricted net assets	-	-	-	-	-	-	-	-	-
Unrestricted net assets at beginning of year	181,448	5,111,404	3,904,376	36,927	238,801	25,158	9,498,114	-	9,498,114
Temporarily restricted net assets at beginning of year	-	-	-	-	-	-	-	18,008	18,008
Permanently restricted net assets at beginning of year	24,180	-	-	9,449	-	10,000	43,629	-	43,629
Transfer from permanently restricted to temporarily restricted	-	-	-	-	-	-	-	-	-
Unrestricted net assets at end of year	(398,841)	5,140,507	3,926,607	37,191	240,161	25,358	8,970,983	-	8,970,983
Temporarily restricted net assets at end of year	-	-	-	-	-	-	-	18,008	18,008
Permanently restricted net assets at end of year	24,180	-	-	9,449	-	10,000	43,629	-	43,629
Total net assets at end of year	\$ (374,661)	\$ 5,140,507	\$ 3,926,607	\$ 46,640	\$ 240,161	\$ 35,358	\$ 9,014,612	\$ 18,008	\$ 9,032,620

See Accompanying Independent Auditors' Report.