

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
FINANCIAL STATEMENTS
December 31, 2010

SEWARD AND MONDE

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INDEPENDENT AUDITORS' REPORT

Board of Directors

Gateway Community College
Foundation, Inc.

New Haven, Connecticut

We have audited the accompanying statements of financial position of Gateway Community College Foundation, Inc. as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Community College Foundation, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Seward and Monde

April 25, 2011

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 398,392	\$ 224,660
Contributions receivable	1,127,108	193,751
Investments	304,664	192,626
Software	5,505	5,505
Less, Accumulated amortization	(5,505)	(5,505)
Total assets	\$ 1,830,164	\$ 611,037
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 10,729	\$ 1,494
Total liabilities	10,729	1,494
Net Assets:		
Unrestricted	58,930	(50,986)
Temporarily restricted	1,446,773	415,147
Permanently restricted	313,732	245,382
Total net assets	1,819,435	609,543
Total liabilities and net assets	\$ 1,830,164	\$ 611,037

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of ACTIVITIES
For the years ended December 31, 2010 and 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Contributions	\$ 50,477	\$ 1,425,686	\$ 68,350	\$ 1,544,513	\$ 61,366	\$ 211,779	\$ -	\$ 273,145
Investment income	592	3,478	-	4,070	4,130	3,337	-	7,467
Net realized and unrealized gains (losses) on investments	7,046	-	-	7,046	(9,937)	-	-	(9,937)
Hall of Fame reception	56,045	-	-	56,045	54,904	28,586	-	83,490
Golf tournament	-	-	-	-	18,190	-	-	18,190
Other income	163	-	-	163	-	-	-	-
Net assets released from restrictions:								
Restrictions satisfied by payments	397,538	(397,538)	-	-	196,988	(196,988)	-	-
Total revenue, gains and other support	<u>511,861</u>	<u>1,031,626</u>	<u>68,350</u>	<u>1,611,837</u>	<u>325,641</u>	<u>46,714</u>	<u>-</u>	<u>372,355</u>
Expenses:								
Support to the College:								
Scholarships and awards	103,101	-	-	103,101	113,569	-	-	113,569
Faculty development	11,392	-	-	11,392	41,065	-	-	41,065
Other programs	143,104	-	-	143,104	-	-	-	-
Hall of Fame reception-Direct costs	22,594	-	-	22,594	20,692	-	-	20,692
Other fundraising programs-Direct costs	2,533	-	-	2,533	13,219	-	-	13,219
Capital campaign fundraising	58,561	-	-	58,561	93,957	-	-	93,957
Development	-	-	-	-	15,424	-	-	15,424
General and administrative	60,660	-	-	60,660	47,401	-	-	47,401
Total expenses	<u>401,945</u>	<u>-</u>	<u>-</u>	<u>401,945</u>	<u>345,327</u>	<u>-</u>	<u>-</u>	<u>345,327</u>
Increase (decrease) in net assets	109,916	1,031,626	68,350	1,209,892	(19,686)	46,714	-	27,028
Net assets (deficit), beginning of year	(50,986)	415,147	245,382	609,543	(31,300)	368,433	245,382	582,515
Net assets (deficit), end of year	<u>\$ 58,930</u>	<u>\$ 1,446,773</u>	<u>\$ 313,732</u>	<u>\$ 1,819,435</u>	<u>(\$ 50,986)</u>	<u>\$ 415,147</u>	<u>\$ 245,382</u>	<u>\$ 609,543</u>

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS of CASH FLOWS
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 1,209,892	\$ 27,028
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	(7,046)	9,937
Increase in unconditional promises to give	(933,357)	(84,434)
Increase in accounts payable	<u>9,235</u>	<u>94</u>
Net cash provided (used) by operating activities	<u>278,724</u>	<u>(47,375)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of investments	22,000	321,569
Purchase of investments	<u>(126,992)</u>	<u>(320,011)</u>
Net cash provided (used) by investing activities	<u>(104,992)</u>	<u>1,558</u>
Net increase (decrease) in cash and cash equivalents	173,732	(45,817)
Cash and cash equivalents, beginning of year	<u>224,660</u>	<u>270,477</u>
Cash and cash equivalents, end of year	<u><u>\$ 398,392</u></u>	<u><u>\$ 224,660</u></u>

See notes to financial statements.

GATEWAY COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

1 - Nature of Activities

Gateway Community College Foundation, Inc. (the Foundation) is a not-for-profit, charitable organization described in Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to assist the Gateway Community College (the College) in expanding its services to students and enhancing academic instruction. The Foundation's activities consist of corporate and individual fundraising and disbursement of monies in the form of student scholarships and institutional program grants.

2 - Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets in accordance with the existence or absence of donor imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Net assets that are not subject to explicit donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted

Net assets whose use by the Foundation is subject to explicit donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire because of the passage of time.

Permanently Restricted

Net assets subject to explicit donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all of the investment return on these assets either for general expenses of the Foundation or for specified restricted purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Donated Services

All of the Foundation's activities are conducted by either unpaid volunteers or employees of the College, whose time is contributed by the College. The value of this contributed time is not reflected in the accompanying financial statements since the contributed time does not meet the criteria for recognition under financial accounting standards.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at market value in the statement of financial position.

Gains and losses on dispositions of investments are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statement of activities.

Software

Software is stated at acquisition cost. Amortization is computed using the straight-line method over the estimated useful life of the related software.

Income Taxes

Gateway Community College Foundation, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. However, income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income. As of December 31, 2010 and 2009, the Foundation believes it did not engage in any unrelated business activities and therefore does not have any uncertain tax positions.

Cash and Cash Equivalents

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

Endowment Investment and Spending Policies

The Foundation's endowment consists of several individual donor-restricted endowment funds established for a variety of purposes that the Foundation must hold in perpetuity.

The Board of Directors has interpreted the State of Connecticut's Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the State of Connecticut's Uniform Prudent Management of Institutional Funds Act. In accordance with the State of Connecticut's Uniform Prudent Management of Institutional Funds Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the organization; and
7. The investment policies of the organization.

The Foundation follows a policy that attempts to provide a predictable stream of funding supported by its endowment while seeking to maintain the integrity of endowment assets. Endowment assets include donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. The endowment assets are invested in a manner that is intended to produce results that exceed disbursements while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

The Foundation has a policy of appropriating for distribution each year up to five percent of its endowment fund's trailing three year average market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and income received (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints.

Subsequent Events

The Foundation evaluated events occurring between the end of their most recent fiscal year and April 25, 2011, the date the financial statements were available to be issued.

3 - Investments

Investments at December 31 consist of the following:

	<u>2010</u>		<u>2009</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
Cash and cash equivalents	\$ 188,890	\$ 188,890	\$ 62,292	\$ 62,292
Certificate of deposit	-	-	22,000	22,000
Common stock	87,227	68,512	80,807	68,118
Corporate obligations	<u>28,547</u>	<u>26,103</u>	<u>27,527</u>	<u>26,107</u>
	<u>\$ 304,664</u>	<u>\$ 283,505</u>	<u>\$ 192,626</u>	<u>\$ 178,517</u>

4 - Fair Value Measurements

The Foundation utilizes the market approach as the valuation technique used to measure fair value of its financial instruments. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at December 31, 2010 and 2009, investments in certificate of deposit, common stock and corporate obligations, are based on quoted prices in active markets (Level 1).

5 - Contributions Receivable

Contributions receivable, which are unconditional promises to give, are summarized as follows at December 31:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 652,108	\$ 193,751
One year to five years	540,000	-
	<u>1,192,108</u>	<u>193,751</u>
Less: Discounts to net present value at 5.0%	<u>(65,000)</u>	<u>-</u>
Net contributions receivable	<u>\$ 1,127,108</u>	<u>\$ 193,751</u>

Contributions receivable as of December 31, 2010 and 2009 includes \$5,596 which is due from the State of Connecticut pursuant to the State of Connecticut Public Act 98-252, Section 48, which establishes a Higher Education State Matching Grant Fund to be administered by the Board of Trustees of Community Technical Colleges. Under this Act, the State, upon receipt of appropriate certification, will match a portion of the total permanently restricted endowment fund gifts actually received by the Foundation during the calendar year (endowment fund eligible gifts). The Foundation must use the earnings of such matching endowment funds for professorships, scholarships, or programmatic enhancements.

6 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Athletics	\$ 400	\$ 400
Capital Campaign	1,177,134	39,243
Professorships, Scholarships or Programmatic Enhancements	<u>269,239</u>	<u>375,504</u>
	<u>\$ 1,446,773</u>	<u>\$ 415,147</u>

7 - Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2010</u>	<u>2009</u>
Current Operations	\$ 100,297	\$ 34,747
Professorships, Scholarships or Programmatic Enhancements	<u>213,435</u>	<u>210,635</u>
	<u>\$ 313,732</u>	<u>\$ 245,382</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted assets were approximately \$42,000 and \$53,000 at December 31, 2010 and 2009, respectively.

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	(\$ 41,640)	\$ -	\$ 313,732	\$ 272,092
Board-designated endowment funds	<u>31,282</u>	<u>-</u>	<u>-</u>	<u>31,282</u>
Total endowment funds	<u>(\$ 10,358)</u>	<u>\$ -</u>	<u>\$ 313,732</u>	<u>\$ 303,374</u>

Changes in endowment net assets for the years ended December 31, 2010 and 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2009	(\$ 41,261)	\$ -	\$ 245,382	\$ 204,121
Investment return:				
Investment income	583	3,337	-	3,920
Net realized and unrealized gains	(12,078)	-	-	(12,078)
Total investment return	(11,495)	3,337	-	(8,158)
Appropriation of endowment assets for expenditure	-	(3,337)	-	(3,337)
Endowment net assets, December 31, 2009	(52,756)	-	245,382	192,626
Net asset reclassification	31,282	-	-	31,282
Investment return:				
Investment income	592	3,478	-	4,070
Net realized and unrealized gains	7,046	-	-	7,046
Total investment return	7,638	3,478	-	11,116
Contributions	-	-	68,350	68,350
Appropriation of endowment assets for expenditure	3,478	(3,478)	-	-
Endowment net assets, December 31, 2010	<u>(\$ 10,358)</u>	<u>\$ -</u>	<u>\$ 313,732</u>	<u>\$ 303,374</u>

8 - Concentration of Credit Risk

The Foundation maintains cash deposits in bank deposit accounts which at times may exceed FDIC limits. The Foundation has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.