

**GALVESTON COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

GALVESTON COLLEGE FOUNDATION

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Galveston College Foundation  
Galveston, Texas

We have audited the accompanying statements of financial position of the Galveston College Foundation (a nonprofit organization) as of December 31, 2008, and the related statements of activities, changes in net assets 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. The prior year summarized comparative information has been derived from the Galveston College Foundation's 2007 financial statements and, in our report dated August 15, 2008, we expressed an unqualified opinion on those financial statements.

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 the Galveston College Foundation as of December 31, 2008, 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.

DRDA, P.C.

DRDA, P.C.  
Galveston, Texas  
July 31, 2009

## FINANCIAL STATEMENTS

**Galveston College Foundation  
Statement of Financial Position  
December 31, 2008  
(With Comparative Total for 2007)**

	<u>Universal Access</u>	<u>Galveston College Scholarships</u>	<u>Other Funds</u>	<u>2008 Total</u>	<u>2007 Total</u>
<b><u>Assets</u></b>					
Cash	\$ 100	\$ -	\$ -	\$ 100	\$ 2,923
Investments (at market value)	<u>3,764,715</u>	<u>577,077</u>	<u>1,986,807</u>	<u>6,328,599</u>	<u>6,796,093</u>
Total Assets	<u>\$ 3,764,815</u>	<u>\$ 577,077</u>	<u>\$ 1,986,807</u>	<u>\$ 6,328,699</u>	<u>\$ 6,799,016</u>
<b><u>Liabilities and Net Assets</u></b>					
Liabilities					
Bank overdraft	\$ -	\$ -	\$ 652	652	\$ -
Accrued expenses	63,939	-	-	63,939	33,629
Agency transactions due to others	<u>-</u>	<u>-</u>	<u>103,827</u>	<u>103,827</u>	<u>52,201</u>
Total Liabilities	<u>63,939</u>	<u>-</u>	<u>104,479</u>	<u>168,418</u>	<u>85,830</u>
Net Assets					
Unrestricted	511,064	-	182,574	693,638	1,379,479
Temporarily restricted	-	455,577	1,699,754	2,155,331	2,022,895
Permanently restricted	<u>3,189,812</u>	<u>121,500</u>	<u>-</u>	<u>3,311,312</u>	<u>3,310,812</u>
Total Net Assets	<u>3,700,876</u>	<u>577,077</u>	<u>1,882,328</u>	<u>6,160,281</u>	<u>6,713,186</u>
Total Liabilities and Net Assets	<u>\$ 3,764,815</u>	<u>\$ 577,077</u>	<u>\$ 1,986,807</u>	<u>\$ 6,328,699</u>	<u>\$ 6,799,016</u>

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

**Galveston College Foundation**  
**Statement of Activities**  
**For The Year Ended December 31, 2008**  
**(With Comparative Total for 2007)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Support and Revenue:					
Contributions and grants	\$ 102,354	\$ 353,942	\$ 500	\$ 456,796	\$ 976,525
Sales	-	-	-	-	1,184
Cost of sales	-	-	-	-	-
Other revenue	5,173	-	-	5,173	6,685
Special event revenue	155	-	-	155	2,280
Special event costs	-	-	-	-	-
Donated facilities and services	51,836	-	-	51,836	60,882
Interest and dividends	242,266	23,726	-	265,992	289,444
Realized gains/(losses) on investments	(128,587)	(12,593)	-	(141,180)	123,465
Unrealized appreciation (depreciation) on investments	(584,686)	(57,262)	-	(641,948)	(224,982)
Net assets released from restrictions:					
Restrictions satisfied by payments	175,377	(175,377)	-	-	-
<b>Total Support and Revenue</b>	<b>(136,112)</b>	<b>132,436</b>	<b>500</b>	<b>(3,176)</b>	<b>1,235,483</b>
Expenses:					
Donated facilities and services	51,836	-	-	51,836	60,882
Investment fees	50,814	-	-	50,814	50,806
Foreign taxes	422	-	-	422	454
Community Involvement	7,709	-	-	7,709	-
Program expenses paid:					
Workforce Development	24,059	-	-	24,059	15,332
GC Scholarships	45,441	-	-	45,441	58,706
UA Scholarships	195,183	-	-	195,183	156,219
EMS Scholarships	2,379	-	-	2,379	-
Dual Credit Scholarships	59,685	-	-	59,685	-
Gulf Coast Intercollegiate Conference	15,917	-	-	15,917	-
Grant to Galveston College	10,000	-	-	10,000	-
President's Partner Fund	-	-	-	-	707
Lumina Foundation Grant	-	-	-	-	98,500
Dreamkeepers match	63,302	-	-	63,302	35,000
Beacon Square	-	-	-	-	146
Athletics	2,920	-	-	2,920	10,891
Other	3,756	-	-	3,756	7,442
Miscellaneous	16,306	-	-	16,306	16,164
<b>Total Expenses</b>	<b>549,729</b>	<b>-</b>	<b>-</b>	<b>549,729</b>	<b>511,249</b>
Increase (decrease) in net assets	(685,841)	132,436	500	(552,905)	724,234
Net Assets, Beginning of Year	1,379,479	2,022,895	3,310,812	6,713,186	6,010,308
Transfer of net assets from (to) Galveston Colloege	-	-	-	-	(21,356)
<b>Net Assets, End of Year</b>	<b>\$ 693,638</b>	<b>\$ 2,155,331</b>	<b>\$ 3,311,312</b>	<b>\$ 6,160,281</b>	<b>\$ 6,713,186</b>

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

**Galveston College Foundation**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2008**  
**(With Comparative Total for 2007)**

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (552,905)	\$ 724,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses (gains) on securities	641,948	224,982
Realized losses (gains) on securities	141,180	(123,465)
Changes in assets and liabilities		
Bank overdraft	652	-
Accrued expenses	30,310	(57,901)
Agency - due to others	51,626	50,546
Transfer of net assets from (to) other entities (Note D)	-	(21,356)
Total Adjustments	<u>865,716</u>	<u>72,806</u>
Net Cash Provided by Operating Activities	<u>312,811</u>	<u>797,040</u>
Cash Flows from Investing Activities:		
Purchases of investment securities	(7,906,247)	(7,954,300)
Sale of investment securities	<u>7,590,613</u>	<u>7,156,290</u>
Net Cash Used by Investing Activities	<u>(315,634)</u>	<u>(798,010)</u>
Net decrease in cash and cash equivalents	(2,823)	(970)
Cash and Cash Equivalents at Beginning of Year	<u>2,923</u>	<u>3,893</u>
Cash and Cash Equivalents at End of Year	<u>\$ 100</u>	<u>\$ 2,923</u>
Supplemental disclosure of cash flows information:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

**Galveston College Foundation  
Notes to Financial Statements  
December 31, 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Galveston College Foundation is a not for profit organization (other than a private foundation) chartered under the laws of the State of Texas. The original application for the federal not-for-profit 501(c)(3) designation was filed July 5, 1996, with the Internal Revenue Service, and the Foundation has been granted that designation. The Foundation, therefore, is not subject to income tax.

The Foundation has been formed to generate philanthropic support for Galveston College, Galveston, Texas, with a primary emphasis on Universal Access. The Universal Access program is to provide Galveston College Scholarships to graduates of Galveston, Texas high schools, thereby encouraging universal access to higher education. In addition to Universal Access, the Foundation solicits, invests and manages donations and grants to the college for educational support activities conducted by the college.

The Foundation is managed by a Board of Directors of no less than three and no more than twenty-one. The President of Galveston College and the Executive Director of Galveston College Foundation serve as ex-officio members of the Board. The remainder of the Directors are elected by a majority of the quorum of the Directors then serving.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations requiring that they be maintained permanently on behalf of the organization.

Revenue and Support

The Foundation adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Unrestricted contributions received are recorded as gifts or donations.

Unconditional promises to give are recorded when received. Unconditional promises to give that are due in the next year are recorded at their net realizable value. Unconditional promises to give that are due in subsequent years are recorded at the present value of their net realizable value.

The Foundation has not established an allowance for uncollectible promises to give, as management believes all promises to give to be collectible; pledges receivable at December 31, 2008 were -0-.



**Galveston College Foundation**  
**Notes to Financial Statements**  
**December 31, 2008**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-kind Contributions

Contributions of non-cash assets are recorded at their estimated fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received as unrestricted revenue.

Unrestricted Expenditures

Unrestricted donations may be spent for scholarships, learning enhancement activities, Galveston College strategic initiatives, community outreach, or Foundation operating expenses. Expenditures may not exceed the interest earned by the account. In addition, the maximum expenditure is five percent (5%) of the total asset balance in the fund at the end of the previous fiscal year, less any recorded liabilities and allocations authorized but not yet disbursed.

Cash and Cash Equivalents

Cash and cash equivalents include only those funds in bank checking accounts.

Investments

Investments are carried at fair value, which is represented by quoted market value, and unrealized gains and losses may or may not be the actual realized amount, depending on financial conditions at the time of realization. Independent investment managers manage the assets. It is the policy of the Board to liquidate donated securities when they are received, and transfer proceeds to an Investment Manager to be included in management of the Foundation's portfolio.

Economic Dependency

The Foundation is economically dependent on Galveston College for yearly support through donated facilities, payment of utilities and insurance, and staffing of the Executive Director and support staff. The value and cost of these services, which approximates \$51,836, are included in these financial statements.

Allocation of Investment Income

All investments of the Foundation are pooled for investment purposes. The allocation to each fund of investment earnings is based on the percentage of asset market value for Universal Access, Galveston College Endowment Funds and Other Funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Ultimate actual results may in some instances differ from previously estimated amounts.

Prior Year Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be used in conjunction with the Organization's financial statements for the year ended December 31, 2007 from which the summarized information was derived.

**Galveston College Foundation  
Notes to Financial Statements  
December 31, 2008**

**NOTE B – INVESTMENTS**

The Foundation owns marketable securities, which are intended to provide investment income to be used for the Foundation's programs. A portion of these investments is permanently restricted by donor stipulation, and the remainder is a combination of temporarily restricted and unrestricted amounts. Restricted investments are maintained for the purposes stipulated by donors. Investments are managed by independent investment managers and are stated at fair market value.

A summary of investments at December 31, 2008 is as follows:

	Cost	Market Value	Investment Percentage
Common stocks	\$ 1,578,742	\$ 1,035,203	16%
U.S. Government agency obligations	1,054,733	1,071,686	17%
Corporate bonds	1,828,917	1,728,942	27%
Cash equivalents	2,492,768	2,492,768	39%
	<u>\$ 6,955,160</u>	<u>\$ 6,328,599</u>	<u>100%</u>

**NOTE C – AGENCY TRANSACTIONS DUE TO OTHERS**

The Foundation holds funds for the Gulf Coast Consortium of Community Colleges (Consortium). Community colleges contribute to the Consortium via the Foundation and the Foundation is to expend the funds as they are needed. The Executive Director of the Foundation acts as the Treasurer for the Consortium. The Foundation itself has no variance power over the funds. At December 31, 2008 and 2007, the Foundation holds \$103,185 and \$52,201, respectively, on behalf of the Consortium. Additionally, at December 31, 2008, the Foundation holds \$642 in funds belonging to the Two Year College Associations (TYCA) over which the Foundation has no variance power.

**NOTE D – TRANSFER OF NET ASSETS**

In 2007, the Foundation transferred \$21,356 of Athletic funds to Galveston College. In 2008, no transfers were made.

**NOTE E – RELATED PARTY TRANSACTIONS**

As discussed in Note A, the Galveston College Foundation operates as a separate organization for the purpose of generating philanthropic support for Galveston College. The President of Galveston College and the Executive Director of Galveston College Foundation serve as ex-officio members of the Board.

The Galveston College has supplied all administrative support, including facilities and staff, to the Foundation without charges, the value of which is reflected in these financial statements.

**NOTE F – MARKET RISK**

As further explained in Note A, investments in trust accounts are carried at market value at December 31, 2008 and 2007. However, the cost of investments may exceed market value at the date of sale. Any unrealized depreciation or appreciation in the market value of investments subsequent to year end is not recognized in these financial statements as management believes these to be temporary market fluctuations.

**Galveston College Foundation  
Notes to Financial Statements  
December 31, 2008**

**NOTE G – NET ASSETS**

The categories of net assets at December 31, 2008 and 2007 are comprised of the following:

	<b>2008</b>	<b>2007</b>
Unrestricted:		
Available for future operations	\$ 693,638	\$ 1,379,479
Temporarily restricted:		
Scholarships	655,331	522,895
Student center/dorms	1,500,000	1,500,000
Total temporarily restricted	2,155,331	2,022,895
Permanently restricted:		
Universal Access scholarships	3,189,812	3,189,812
Galveston College scholarships	121,500	121,000
Total permanently restricted	3,311,312	3,310,812
	\$ 6,160,281	\$ 6,713,186

**NOTE H – SEIBEL FOUNDATION GRANT**

Included in temporarily restricted net assets is \$1,500,000 granted to the College by the Seibel Foundation and restricted toward the construction of a new student center. The terms of the agreement state that the funds must be used for the new construction and new expansion must be named "The Abe and Annie Seibel Foundation Wing".

**SUPPLEMENTAL INFORMATION**



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*certified public accountants and business consultants*

WILLIAM C. ANSELL, CPA  
ANN MASEL, CPA  
DOUGLAS A. DICKY, CPA  
T. MARK RUSH, CPA

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors  
Galveston College Foundation  
Galveston, Texas

Our report on our audit of the basic financial statements of Galveston College Foundation (a nonprofit organization) for December 31, 2008, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Activities by Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DRDA, P.C.

DRDA, P.C.  
Galveston, Texas  
July 31, 2009

**Galveston College Foundation**  
**Statement of Activities by Fund**  
**For The Year Ended December 31, 2008**  
**(With Comparative Total for 2007)**

	<u>Universal Access</u>	<u>Galveston College Scholarships</u>	<u>Other Funds</u>	<u>2008 Total</u>	<u>2007 Total</u>
<b>Support and Revenue:</b>					
Contributions and grants	\$ 3,919	\$ 74,400	\$ 378,477	\$ 456,796	\$ 976,525
Sales	-	-	-	-	1,184
Cost of sales	-	-	-	-	-
Other revenue	-	-	5,173	5,173	6,685
Special event revenue	-	-	155	155	2,280
Special event costs	-	-	-	-	-
Donated facilities and services	-	-	51,836	51,836	60,882
Interest and dividends	169,522	23,726	72,744	265,992	289,444
Realized gains/(losses) on investments	(89,977)	(12,593)	(38,610)	(141,180)	123,465
Unrealized appreciation (depreciation) on investments	(409,125)	(57,262)	(175,561)	(641,948)	(224,982)
<b>Total Support and Revenue</b>	<u>(325,661)</u>	<u>28,271</u>	<u>294,214</u>	<u>(3,176)</u>	<u>1,235,483</u>
<b>Expenses:</b>					
Donated facilities and services	-	-	51,836	51,836	60,882
Investment fees	32,385	4,532	13,897	50,814	50,806
Foreign taxes	269	38	115	422	454
Community involvement	-	-	7,709	7,709	-
<b>Program expenses paid:</b>					
Workforce Development	24,059	-	-	24,059	15,332
GC scholarships	-	45,441	-	45,441	58,706
UA Scholarships	195,183	-	-	195,183	156,219
EMS Scholarships	-	-	2,379	2,379	-
Dual Credit Scholarships	-	-	59,685	59,685	-
Gulf Coast Intercollegiate Conference	-	-	15,917	15,917	-
Grant to Galveston College	-	-	10,000	10,000	-
President's Partner Fund	-	-	-	-	707
Lumina Foundation Grant	-	-	-	-	98,500
Dreamkeepers match	-	-	63,302	63,302	35,000
Beacon Square	-	-	-	-	146
Athletics	-	-	2,920	2,920	10,891
Other	-	-	3,756	3,756	7,442
Miscellaneous	-	-	16,306	16,306	16,164
<b>Total Expenses</b>	<u>251,896</u>	<u>50,011</u>	<u>247,822</u>	<u>549,729</u>	<u>511,249</u>
Increase (decrease) in net assets	(577,557)	(21,740)	46,392	(552,905)	724,234
Net Assets, Beginning of Year	4,278,433	598,817	1,835,936	6,713,186	6,010,308
Transfer of net assets from (to) other entities (Note D)	-	-	-	-	(21,356)
<b>Net Assets, End of Year</b>	<u>\$ 3,700,876</u>	<u>\$ 577,077</u>	<u>\$ 1,882,328</u>	<u>\$ 6,160,281</u>	<u>\$ 6,713,186</u>