

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

AND

INDEPENDENT AUDITOR'S REPORT



PERRY-SMITH

THE POWER OF CONFIDENCE

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
California History Center Foundation

We have audited the accompanying statement of financial position of California History Center Foundation, a nonprofit organization (the "Foundation"), 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 Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California History Center Foundation at June 30, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Perry-Smith LLP

November 18, 2010

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF FINANCIAL POSITION

June 30, 2010

	<u>Operating Fund</u>	<u>Endowment Funds</u>	<u>Total</u>
ASSETS			
Cash (Note 2):			
Cash in County Treasury:			
Unrestricted	\$ 12,098		\$ 12,098
Restricted	<u>1,553</u>		<u>1,553</u>
Total cash	<u>13,651</u>		<u>13,651</u>
Investments (Note 6)	141,225	\$ 506,956	648,181
Accounts receivable	1,204		1,204
Inventory	21,267		21,267
Book collection	<u>45,342</u>		<u>45,342</u>
Total assets	<u>\$ 222,689</u>	<u>\$ 506,956</u>	<u>\$ 729,645</u>
LIABILITIES			
Accounts payable and other liabilities	<u>\$ 1,332</u>		<u>\$ 1,332</u>
NET ASSETS			
Unrestricted	221,357		221,357
Temporarily restricted		\$ 123,688	123,688
Permanently restricted		<u>383,268</u>	<u>383,268</u>
Total net assets	<u>221,357</u>	<u>506,956</u>	<u>728,313</u>
Total liabilities and net assets	<u>\$ 222,689</u>	<u>\$ 506,956</u>	<u>\$ 729,645</u>

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

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and support:				
Memberships	\$ 5,078			\$ 5,078
General donations	18,451			18,451
Donated services and facilities (Note 4)	115,708			115,708
Book sales, net	1,114			1,114
Fees, subscriptions and other	795			795
Interest	1,416	\$ 1,968		3,384
Net gain on investments	28,167	46,513		74,680
Total revenues and support	170,729	48,481		219,210
Expenses:				
Program services:				
Publications	13,244			13,244
Exhibits	5,284			5,284
Library	26,948			26,948
Total program services	45,476			45,476
Support services:				
Community Foundation	6,484			6,484
Management and general	10,794			10,794
Donated services and facilities (Note 4)	115,708			115,708
Total support services	132,986			132,986
Total expenses	178,462			178,462
Change in net assets	(7,733)	48,481		40,748
Net assets, July 1, 2009	229,090	75,207	\$ 383,268	687,565
Net assets, June 30, 2010	\$ 221,357	\$ 123,688	\$ 383,268	\$ 728,313

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

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

	<u>Total</u>
Cash flows from operating activities:	
Change in net assets	\$ 40,748
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized gain on investments	(74,680)
Decrease in accounts receivable	2,706
Increase in inventory	(329)
Decrease in accounts payable and other liabilities	<u>(624)</u>
Net cash used in operating activities	<u>(32,179)</u>
Cash flows provided by investing activities:	
Net change in investments	<u>23,392</u>
Net decrease in cash	(8,787)
Cash, July 1, 2009	<u>22,438</u>
Cash, June 30, 2010	<u>\$ 13,651</u>

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

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

California History Center Foundation (the "Foundation") is a nonprofit, tax-exempt organization dedicated to the advancement of the humanities, history, education, sciences and the arts.

Basis of Accounting

In order to observe the limitations and restrictions upon the use of available resources, the financial statements are presented on a fund-accounting basis, whereby resources are classified for accounting and reporting purposes into funds for specified activities or objectives.

The financial statements have been prepared on an accrual basis of accounting using the following funds:

Operating Funds:

- **Unrestricted:**

This fund is used to account for resources over which the Board of Directors retains full control to use in achieving any of the Foundation's purposes. At its discretion, the Board may establish designations of fund balance to indicate tentative plans for resource utilization in future periods.

Endowment Fund:

- **Temporarily Restricted:**

This fund is used to account for resources restricted by the donor, grantor, or other outside party for particular operating purposes.

- **Permanently Restricted:**

This fund is used to account for resources that typically are subject to restrictions requiring that the principal be invested in perpetuity and only the income be utilized. The income and realized and unrealized gains/losses are classified as temporarily restricted.

**CALIFORNIA HISTORY CENTER FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

In August 2008, the FASB issued Accounting Standards Codification (ASC) 958-205 (previously FASB Staff Position No. 117-1), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. In 2008, the State of California adopted UPMIFA, which became effective January 1, 2009. The adoption of UPMIFA had no effect on accounting for the Foundation's endowment. The following disclosures are made as required by ASC 958-205.

The Foundation's endowment currently consists of one fund established for the purpose of supporting the operations of the California History Center. The endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the UPMIFA 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 at the time the accumulation is added to the fund. 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 organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows the Foundation's adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s).

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

**CALIFORNIA HISTORY CENTER FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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 this restriction. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

Inventory

Inventory is valued at the lower of cost or market on a specific identification basis.

Book Collection

The Foundation has assembled a collection of books which are considered to have historical value. This collection, which consists of donated and purchased books, is valued at estimated cost or fair value at date of receipt or acquisition. Depreciation is not recognized on these assets due to their extended service potential.

Estimates

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

2. CASH AND INVESTMENTS

Cash at June 30, 2010 consisted of the following:

Pooled Funds:

 Cash in County Treasury:

 Unrestricted

\$ 12,098

 Restricted

1,553

Total cash

\$ 13,651

**CALIFORNIA HISTORY CENTER FOUNDATION
(A NONPROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

2. CASH AND INVESTMENTS (Continued)

Pooled Funds

Deposits in Santa Clara County Treasury consist of cash deposited in the interest-bearing Santa Clara County Treasurer's Pooled Surplus Investment Fund. Investments are recorded at fair value. Because the Foundation's deposits are maintained in a recognized pooled investment fund under the care of a third party and the Foundation's share of the pool does not consist of specific, identifiable investment securities owned by the Foundation, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The Foundation's deposits in the Fund are considered to be highly liquid.

In accordance with applicable state laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2010, the Santa Clara County Treasurer has indicated that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Investments

The amount invested with Community Foundation Silicon Valley, \$648,181, is generally held by investment managers who manage the investments according to guidelines and policies established by the Community Foundation. Investments generally consist of corporate foreign and domestic stocks, foreign and domestic equity funds, fixed-income funds, and marketable debt securities. For the year ended June 30, 2010, the Foundation recognized a net gain on investments (including interest income) and administrative expense of \$77,772 and \$6,484, respectively.

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted process for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing as asset or liability.

**CALIFORNIA HISTORY CENTER FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities	\$ 648,181	\$ -	\$ 648,181	\$ -

The fair value of investment securities equals quoted market prices. There were no changes in the valuation techniques used during the year ended June 30, 2010.

The Foundation had no non recurring assets and no liabilities at June 30, 2010, which were required to be disclosed using the fair value hierarchy.

3. RESTRICTED NET ASSETS

	<u>Donor Restricted</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 75,207	\$ 383,268	\$ 458,475
Change in fair value of investments	<u>48,481</u>		<u>48,481</u>
Endowment net assets, end of year	<u>\$ 123,688</u>	<u>\$ 383,268</u>	<u>\$ 506,956</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 or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2010.

4. DONATED SERVICES AND FACILITIES

Donated services and facilities totaling \$115,708 for the year ended June 30, 2010 consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services as provided by Foothill-De Anza Community College District (the "District").

The valuation of such services and facilities is determined based upon various factors including employee salaries, office rent, and certain other operating expenses. All significant donated services and facilities and related costs are recognized and reported annually.

**CALIFORNIA HISTORY CENTER FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
(Continued)**

5. TAX STATUS

In a letter dated November 24, 1969, the United States Internal Revenue Service determined that the Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal tax liability.

6. RELATED PARTY TRANSACTIONS

The Foundation is economically dependent on the District (Note 4) and the financial statements may not necessarily be indicative of the conditions or results of operations which would have existed had the Foundation been operated as an unaffiliated entity.

Assets held in the Endowment Fund, totaling \$506,956 at June 30, 2010, have been invested on the Foundation's behalf by the Foothill-De Anza Colleges Foundation in the Community Foundation Silicon Valley.

7. SUBSEQUENT EVENTS

The Foundation has reviewed all events occurring from June 30, 2010 through November 18, 2010, the date the financial statements were issued. No subsequent events occurred requiring accrual or disclosure.