

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2015 AND 2014**

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**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**JUNE 30, 2015**

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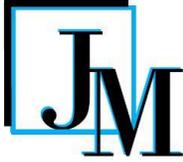
**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**JUNE 30, 2015 AND 2014**

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**TABLE OF CONTENTS**

	<u><b>PAGE</b></u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION:	
SCHEDULE I - STATEMENT OF FINANCIAL POSITION BY PROGRAM	18
SCHEUDLE II - STATEMENT OF ACTIVITIES BY PROGRAM	19
SCHEDULE III – DETAIL OF TOTAL REVENUES – BUDGET VS. ACTUAL	20
SCHEDULE IV – DETAIL OF TOTAL EXPENSES – BUDGET VS. ACTUAL	21
SCHEDULE V – DETAIL OF TOTAL REVENUES – EXCLUDING CALIFORNIA COMMUNITY COLLEGE ATHLETIC ASSOCIATION	22
SCHEDULE VI – DETAIL OF TOTAL EXPENSES – EXCLUDING CALIFORNIA COMMUNITY COLLEGE ATHLETIC ASSOCIATION	23
SCHEDULE VII – CALIFORNIA COMMUNITY COLLEGE ATHLETIC ASSOCIATION - STATEMENT OF ACTIVITIES	24



**James Marta & Company LLP**  
**Certified Public Accountants**

*Accounting, Auditing, Tax, and Consulting*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Community College League of California  
Sacramento, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Community College League of California (League), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and 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 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**

As more fully described in Note 6 to the financial statement, the League has not recognized the liability of its defined benefit pension plan in accordance with generally accepted accounting principles (GAAP) for the year ended June 30, 2014. GAAP requires an employer to recognize the overfunded or underfunded status of a defined benefit pension plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through unrestricted net assets. The information to report the defined benefit pension plan in accordance with GAAP was not available to the League prior to this fiscal year.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the League as of June 30, 2015 and 2014, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Change in Accounting Principle*

The League received information regarding its pension liability related to its participation in the California Public Employees' Retirement System (CalPERS). As a result, the net pension liability has been recorded for the year ended June 30, 2015 as well as a prior period adjustment. The impact on the financial statements is more fully discussed in Note 1M.

*Other information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Required Reporting**

We have also issued our report dated November 6, 2015 on our consideration of the League's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the League's internal control over financial reporting.

*James Marta & Company LLP*

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 6, 2015

## **FINANCIAL STATEMENTS**

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**STATEMENTS OF FINANCIAL POSITION**

**AS OF JUNE 30, 2015 AND 2014**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,399,978	\$ 2,646,562
Cash held for future library consortium	429,940	118,976
Cash held on behalf of others	114,575	71,406
Investments held for future library consortium	1,801,527	1,882,573
Accounts receivable	492,212	289,536
Prepaid expenses and deposits	154,243	114,193
Prepaid pension expense	245,264	-
Total Current Assets	<u>5,637,739</u>	<u>5,123,246</u>
<b>Noncurrent Assets</b>		
Property & equipment, net	331,540	342,799
Gift annuity investments	5,314,368	5,577,516
Total Noncurrent Assets	<u>5,645,908</u>	<u>5,920,315</u>
<b>Total Assets</b>	<u>\$ 11,283,647</u>	<u>\$ 11,043,561</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 99,745	\$ 147,074
Accrued liabilities	116,338	139,328
Deferred revenue	183,046	123,339
Amounts held for future library consortium	2,231,467	2,001,549
Cash held on behalf of others	114,575	71,406
Current portion of gift annuity liabilities	474,407	487,116
Total Current Liabilities	<u>3,219,578</u>	<u>2,969,812</u>
<b>Noncurrent Liabilities</b>		
Gift annuity liabilities, net	4,839,961	5,090,400
Deferred pension charges	441,138	-
Pension liability	1,901,486	-
Total Noncurrent Liabilities	<u>7,182,585</u>	<u>5,090,400</u>
<b>Total Liabilities</b>	<u>10,402,163</u>	<u>8,060,212</u>
<b>Net Assets</b>		
Unrestricted		
Invested in property & equipment	331,540	342,799
Undesignated	549,944	2,640,550
Total Net Assets	<u>881,484</u>	<u>2,983,349</u>
<b>Total Liabilities And Net Assets</b>	<u>\$ 11,283,647</u>	<u>\$ 11,043,561</u>

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

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**STATEMENTS OF ACTIVITIES**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Revenues		
Membership dues	\$ 2,309,356	\$ 2,211,888
District services	1,445,614	1,394,726
Championships, conventions, conferences, and workshops	1,163,152	1,086,374
Corporate partners	143,500	122,675
Interest and investment income	(19,275)	121,065
Publications	7,884	17,047
Miscellaneous	54,471	36,174
	<hr/>	<hr/>
Total Revenues	<u>5,104,702</u>	<u>4,989,949</u>
Expenses		
Program services:		
Conventions, conferences, and workshops	1,336,546	1,142,546
District services	882,164	805,054
Legislative	459,026	548,906
Publications	138,987	125,681
Special projects	17,017	117,732
Athletics	1,032,172	1,014,021
	<hr/>	<hr/>
Total program services	3,865,912	3,753,940
General and administration	1,194,112	1,086,836
	<hr/>	<hr/>
Total Expenses	<u>5,060,024</u>	<u>4,840,776</u>
Change in Unrestricted Net Assets	<hr/>	<hr/>
	44,678	149,173
Net Assets, Beginning of Period, As originally reported	2,983,349	2,834,176
Prior Period Adjustment	<hr/>	<hr/>
	(2,146,543)	-
Net Assets, Beginning of Period, As restated	<hr/>	<hr/>
	836,806	2,834,176
Net Assets, End of Period	<hr/>	<hr/>
	\$ 881,484	\$ 2,983,349

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**STATEMENTS CASH FLOWS**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Net Cash Flows Provided (Used) by Operating Activities</b>		
Change in net assets	\$ 44,678	\$ 149,173
Reconciliation to net cash provided by operating activities:		
Depreciation	37,797	42,801
Changes in:		
Cash held for future library consortium	(310,964)	(118,976)
Accounts receivable	(202,676)	1,018,614
Prepaid expenses and deposits	(40,050)	13,786
Prepaid pension expense	(245,264)	-
Gift annuity investments	263,148	(215,713)
Accounts payable	(47,329)	(193,002)
Accrued liabilities	(22,990)	27,167
Deferred revenue	59,707	66,864
Gift annuity liabilities	(263,148)	215,713
Amounts held for future library consortium	229,918	478,400
Deferred pension charges	441,138	-
Pension liability	(245,057)	-
Net cash provided (used) by operating activities	<u>(301,092)</u>	<u>1,484,827</u>
<b>Net Cash Flows Provided (Used) by Investing Activities</b>		
Purchase of property and equipment	(26,538)	(25,320)
Purchase of investments	(28,000)	(1,438,179)
Sale of investments	19,276	1,264,726
Investment income	89,770	78,650
Net cash provided (used) by investing activities	<u>54,508</u>	<u>(120,123)</u>
<b>Net Cash Flows Provided (Used) by Financing Activities</b>		
Principal payments on note payable	<u>-</u>	<u>(17,703)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(246,584)	1,347,001
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,646,562</u>	<u>1,299,561</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,399,978</u>	<u>\$ 2,646,562</u>
<b>Supplementary Information</b>		
Cash paid for interest	\$ -	\$ 843
Unrealized gain (loss) on investments	\$ (109,045)	\$ 42,415

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

# COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### A. ORGANIZATION

The Community College League of California (League) is a nonprofit public benefit corporation organized for the advancement of education, particularly to better the educational opportunities of California community college students and local community colleges. California Community College Athletic Association (CCCAA) is a program within the League that organizes and administers intercollegiate athletic regional and state championship events throughout California. The League also supports the local community college districts of California by assisting with educating and developing board members, faculty and staff of the colleges through research and educational policy development and by representing the colleges to governmental bodies.

#### B. BASIS OF PRESENTATION

The accompanying financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the League reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The League has no temporarily or permanently restricted net assets.

#### C. REVENUE RECOGNITION

Membership dues are recognized as revenues in the membership period. Dues collected in advance of the membership period are recorded as deferred revenue until earned. Revenues from conventions, conferences, workshops and district services programs are recognized when the related events or services occur. Fees collected in advance of such events or services are recorded as deferred revenue until earned.

Contributions and private foundation grants are recognized in full when received or unconditionally promised, in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*. Donor-restricted amounts are reported as increases in temporarily restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statements of activities as satisfaction of restrictions when the time restrictions expire or the contributions are used for the restricted purposes.

#### D. CASH AND CASH EQUIVALENTS

For financial statement purposes, the League considers all investments with a maturity at purchase of three months or less to be cash equivalents.

#### E. PROPERTY AND EQUIPMENT

Property and Equipment are stated at cost and depreciated using the straight-line method over estimated useful lives of 3 to 20 years. The League's policy is to capitalize such items with a cost of \$500 or more.

# COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. AMOUNTS HELD FOR FUTURE LIBRARY CONSORTIUM

Amounts held for future library consortium represent funds received from member community colleges to be held and distributed by the League for products and services obtained by those members. The League contracts with certain vendors on behalf of the community colleges and provides fiscal administrative services to facilitate payments for services provided.

#### G. INCOME TAXES

The League is exempt from incomes taxes under Internal Revenue Code Section (IRC §) 501(c)(3). It is however, subject to income taxes from activities unrelated to its tax-exempt purpose.

The League adopted the accounting principles related to accounting for uncertainty in income taxes (as described under ASC 740-10) as of July 1, 2009 and has determined that there is no material impact on the financial statements for June 30, 2015. With some exceptions, the League is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2010.

#### H. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and management's estimates of the usage of resources.

#### I. SUBSEQUENT EVENTS

The League's management evaluated its financial statements for subsequent events through November 6, 2015, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

#### J. 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

# COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. FAIR VALUE MEASURES

Assets and liabilities measured at fair value are recorded in accordance with ASC 820, *Fair Value Measurements and Disclosures*, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs in which there is little or no market data, which require management to develop their own assumptions.

#### L. PENSION PLANS

For purposes of measuring the net pension liability, prepaid pension expenses and deferred pension charges related to pensions, and pension expense, information about the fiduciary net position of the Community College League of California's California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### M. CHANGE IN ACCOUNTING PRINCIPLE

In September 2015, information became available to estimate the League's liability arising from its participation in the California Public Employees' Retirement System (CalPERS) defined benefit pension plan at June 30, 2015. This information was not previously available. Therefore, the previous pension liability as of June 30, 2014 in the amount of \$2,146,543 has been shown as a restatement of net assets on the Statement of Activities as a separate line item.

In the current year, the League had prepaid pension expense of \$245,264 and deferred pension charges of \$441,138 resulting from this change in accounting principle.

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Balance Per Bank	\$ 3,110,712	\$ 3,108,554
Plus: Deposits in Transit	-	160
Less: Outstanding Checks	(166,219)	(271,770)
Total Cash and Cash Equivalents	<u>\$ 2,944,493</u>	<u>\$ 2,836,944</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The amount held in banks in excess of FDIC as of June 30, 2015 and 2014 was \$2,347,837 and \$2,058,854, respectively. The League has not experienced any losses in bank deposit accounts that exceed federally insured limits. Management believes the League is not exposed to any significant credit risk related to cash.

Cash is presented in three categories on the statement of financial position at June 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,399,978	\$ 2,646,562
Cash held for future library consortium	429,940	118,976
Cash held on behalf of others	114,575	71,406
Total Cash and Cash Equivalents	<u>\$ 2,944,493</u>	<u>\$ 2,836,944</u>

**3. INVESTMENTS**

As of June 30, 2015, Community College League of California held the following investments:

Investment Type	Fair Value	Investment Maturities		
		< 1yr	1-3 yrs	>3 yrs
Mutual Funds	\$ 1,801,527	\$ 1,801,527	\$ -	\$ -

The League's investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The entire investment balance as of June 30 2015 and 2014 is held for future library consortium.

# COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 51,177	\$ 51,177
Building and improvements	736,450	730,480
Furniture and equipment	<u>270,203</u>	<u>289,576</u>
Total	1,057,830	1,071,233
Less accumulated depreciation	<u>(726,290)</u>	<u>(728,434)</u>
Total	<u>\$ 331,540</u>	<u>\$ 342,799</u>

Depreciation expense was \$37,797 and \$42,801, respectively, for the years ended June 30, 2015 and 2014.

### 5. GIFT ANNUITY PROGRAM

The gift annuity program is administered by the League for member community colleges that wish to solicit gift annuities from donors as a fund raising activity. The program is designed so that a donor establishes a gift annuity agreement with the League and in return receives a guaranteed annuity payment of a pre-designated amount over their lifetime. When a gift annuity matures, the remainder interest in the gift annuity is transferred to the community college designated by the donor.

Gift annuity investments represent the fair value of balances held in trust related to the gift annuity program. Gift annuity liabilities represent the sum of the present value of the estimated liability due to primary beneficiaries of the gift annuities and the remainder interest held on behalf of the community colleges.

The League is responsible for all annuity payments to primary beneficiaries under these agreements. As such, the League would incur financial obligations for gift annuity account balances that are insufficient to cover the required annuity payments. The League has not recorded any contingent liability related to these agreements. Management believes that any future obligation will not have a material effect on the financial position of the League.

The League had 122 and 120 participants at June 30, 2015 and 2014, respectively, with account balances of \$5,314,368 and \$5,577,516 at June 30, 2015 and 2014, respectively. The League received administrative and processing fees of \$800 for 2015 and \$600 for 2014, in connection with this program.

# COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

### 5. GIFT ANNUITY PROGRAM (CONTINUED)

Gift annuity investments consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 56,845	\$ 183,762
Taxable Bonds	2,045,336	2,035,788
Stocks	<u>3,212,187</u>	<u>3,357,966</u>
Total	<u>\$ 5,314,368</u>	<u>\$ 5,577,516</u>

The League's gift annuity investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

### 6. DEFINED BENEFIT PENSION PLAN

#### Plan Description

Qualified employees are covered under a defined benefit pension plan maintained by an agency of the State of California. The League's employees are members of the California Public Employees' Retirement System (CalPERS).

The CalPERS Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of CalPERS, an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. The Plan selects optional benefit provisions by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, California 95814.

#### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Community College League of California is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were \$245,264.

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**6. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Pension Liabilities, Pension Expenses and Deferred Amounts of Resources Related to Pensions

As of June 30, 2015, Community College League of California reported net pension liabilities for its proportionate share of the net pension liability of the Plan of \$1,901,486.

Community College League of California's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. Community College League of California's proportion of the net pension liability was based on a projection of the League's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The League's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was .07037% and .07691%, respectively.

For the year ended June 30, 2015, the League recognized pension expense of \$196,081. At June 30, 2015, the District reported prepaid pension expenses and deferred pension charges related to pensions from the following sources:

	<u>Prepaid Pension Expense</u>	<u>Deferred Pension Charges</u>
Pension contributions subsequent to measurement date	\$ 245,264	
Net differences between projected and actual earnings on plan investments		\$ 407,405
Adjustment due to differences in proportions		33,733
	<u>\$ 245,264</u>	<u>\$ 441,138</u>

The amounts reported as prepaid pension expenses related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred pension charges related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30:</u>	<u>Deferred Pension Charges</u>
2016	\$ 113,898
2017	\$ 113,898
2018	\$ 111,490
2019	\$ 101,852

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth Rate	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return (1)	7.50%
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

# COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

#### Discount Rate

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**6. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the League's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the League's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate - 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
Plan's Net Pension Liability	\$ 2,940,588	\$ 1,901,486	\$ 1,039,129

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2015, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

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**7. DEFERRED COMPENSATION AND OTHER RETIREMENT PLANS**

The League offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. No contributions are currently being made by the League. The deferred compensation is not available to employees until disability, termination, retirement, death or an unforeseeable emergency.

Employees of the League may also participate in a defined contribution 401(k) retirement plan. Employees may make voluntary contributions up to federally designated limits. No contributions are currently being made by the League.

## **SUPPLEMENTARY INFORMATION**

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**SCHEDULE I  
STATEMENT OF FINANCIAL POSITION BY PROGRAM**

**JUNE 30, 2015**

	<u>CCLC</u>	<u>CCCA</u>	<u>Eliminations</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,983,261	\$ 416,717	\$ -	\$ 2,399,978
Cash held for future library consortium	429,940	-	-	429,940
Cash held on behalf of others	114,575	-	-	114,575
Investments held for future library consortium	1,801,527	-	-	1,801,527
Accounts receivable	512,981	28,291	(49,060)	492,212
Prepaid expenses and deposits	151,743	2,500	-	154,243
Prepaid pension expense	191,649	53,615	-	245,264
<b>Total Current Assets</b>	<u>5,185,676</u>	<u>501,123</u>	<u>(49,060)</u>	<u>5,637,739</u>
Noncurrent Assets				
Property & equipment, net	328,317	3,223	-	331,540
Gift annuity investments	5,314,368	-	-	5,314,368
<b>Total Noncurrent Assets</b>	<u>5,642,685</u>	<u>3,223</u>	<u>-</u>	<u>5,645,908</u>
<b>Total Assets</b>	<u>\$ 10,828,361</u>	<u>\$ 504,346</u>	<u>\$ (49,060)</u>	<u>\$ 11,283,647</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities				
Accounts payable	\$ 31,319	\$ 117,486	\$ (49,060)	\$ 99,745
Accrued liabilities	78,897	37,441	-	116,338
Deferred revenue	182,546	500	-	183,046
Amounts held for future library consortium	2,231,467	-	-	2,231,467
Cash held on behalf of others	114,575	-	-	114,575
Current portion of gift annuity liabilities	474,407	-	-	474,407
<b>Total Current Liabilities</b>	<u>3,113,211</u>	<u>155,427</u>	<u>(49,060)</u>	<u>3,219,578</u>
Noncurrent Liabilities				
Gift annuity liabilities, net	4,839,961	-	-	4,839,961
Deferred pension charges	344,705	96,433	-	441,138
Pension liability	1,485,821	415,665	-	1,901,486
<b>Total Noncurrent Liabilities</b>	<u>6,670,487</u>	<u>512,098</u>	<u>-</u>	<u>7,182,585</u>
<b>Total Liabilities</b>	<u>9,783,698</u>	<u>667,525</u>	<u>(49,060)</u>	<u>10,402,163</u>
Net Assets				
Unrestricted				
Invested in property & equipment	328,317	3,223	-	331,540
Undesignated	716,346	(166,402)	-	549,944
<b>Total Net Assets</b>	<u>1,044,663</u>	<u>(163,179)</u>	<u>-</u>	<u>881,484</u>
<b>Total Liabilities And Net Assets</b>	<u>\$ 10,828,361</u>	<u>\$ 504,346</u>	<u>\$ (49,060)</u>	<u>\$ 11,283,647</u>

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**SCHEDULE II  
STATEMENT OF ACTIVITIES BY PROGRAM**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>CCLC</u>	<u>CCCAA</u>	<u>Eliminations</u>	<u>TOTAL</u>
<b>Revenues</b>				
Membership dues	\$ 1,565,981	\$ 743,375	\$ -	\$ 2,309,356
District services	1,445,614	-	-	1,445,614
Championships, conventions, conferences, & workshops	832,454	330,698	-	1,163,152
Corporate partners	120,500	23,000	-	143,500
Interest and investment income	(19,285)	10	-	(19,275)
Publications	5,417	2,467	-	7,884
Miscellaneous	47,475	21,679	(14,683)	54,471
<b>Total Revenues</b>	<u>3,998,156</u>	<u>1,121,229</u>	<u>(14,683)</u>	<u>5,104,702</u>
<b>Expenses</b>				
Program services:				
Conventions, conferences, & workshops	1,336,546	-	-	1,336,546
District services	882,164	-	-	882,164
Legislative	459,026	-	-	459,026
Publications	138,987	-	-	138,987
Special projects	17,017	-	-	17,017
Athletics	-	1,046,855	(14,683)	1,032,172
<b>Total program services</b>	<u>2,833,740</u>	<u>1,046,855</u>	<u>(14,683)</u>	<u>3,865,912</u>
General and administration	1,194,112	-	-	1,194,112
<b>Total Expenses</b>	<u>4,027,852</u>	<u>1,046,855</u>	<u>(14,683)</u>	<u>5,060,024</u>
<b>Change in Unrestricted Net Assets</b>	<u>(29,696)</u>	<u>74,374</u>	<u>-</u>	<u>44,678</u>
<b>Change in Net Assets</b>	<u>(29,696)</u>	<u>74,374</u>	<u>-</u>	<u>44,678</u>
<b>Net Assets, Beginning of Period,</b>				
As originally reported	2,751,668	231,681	-	2,983,349
Prior Period Adjustment	(1,677,309)	(469,234)	-	(2,146,543)
<b>Net Assets, Beginning of Period, As restated</b>	<u>1,074,359</u>	<u>(237,553)</u>	<u>-</u>	<u>836,806</u>
<b>Net Assets, End of Period</b>	<u>\$ 1,044,663</u>	<u>\$ (163,179)</u>	<u>\$ -</u>	<u>\$ 881,484</u>

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

SCHEDULE III  
DETAIL OF TOTAL REVENUES – BUDGET VS. ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	<b>Budget</b>		<b>Actual</b>
	<u>(Memorandum Only)</u>		<u></u>
Membership dues	\$ 2,324,753	\$	2,309,356
District services	1,139,500		1,445,614
Championships, conventions, conferences, & workshops	887,500		1,163,152
Corporate partners	125,000		143,500
Commissions and rebates	20,000		21,679
Interest and investment income	60,300		(19,275)
Publications	11,500		7,884
Rental income	15,948		14,683
Phi Theta Kappa	8,000		10,175
League on call and miscellaneous	3,000		22,617
	<u>4,595,501</u>		<u>5,119,385</u>
Rental income - interfund activity	-		(14,683)
	<u>\$ 4,595,501</u>	\$	<u>5,104,702</u>

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**SCHEDULE IV  
DETAIL OF TOTAL EXPENSES – BUDGET VS. ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	<b>Budget</b>		<b>Actual</b>
	<u>(Memorandum Only)</u>		<u></u>
Staff	\$ 2,133,559	\$	2,125,047
District services program	382,400		474,055
Conventions, conferences, & workshops	475,000		738,053
Office operations	193,600		173,357
Boards	71,775		127,632
Other	84,950		99,481
Professional services	34,000		65,881
Publications	34,500		28,254
Phi Theta Kappa awards	12,000		16,100
Committees	18,000		7,039
Corporate partners program	30,000		56,692
League on call	3,000		4,656
Website & association management	3,600		3,792
Memberships	3,500		3,182
Athletics	<u>1,092,569</u>		<u>1,057,606</u>
	4,572,453		4,980,827
From Special Revenue Reserve	-		143,063
Rental expense - interfund activity	-		(14,683)
Change in net pension liability	<u>-</u>		<u>(49,183)</u>
 Total expenses	 <u>\$ 4,572,453</u>	 \$	 <u>5,060,024</u>

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

SCHEDULE V  
DETAIL OF TOTAL REVENUES -  
EXCLUDING CALIFORNIA COMMUNITY COLLEGE ATHLETIC ASSOCIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	<b>Budget</b> <b>(Memorandum Only)</b>	<b>Actual</b>
Membership dues	\$ 1,570,878	\$ 1,565,981
District services	1,139,500	1,445,614
Conventions, conferences, and workshops	577,500	832,454
Corporate partners	100,000	120,500
Rental income	15,948	14,683
Interest and investment income	60,000	(19,285)
Publications	6,000	5,417
Phi Theta Kappa	8,000	10,175
League on call and miscellaneous	3,000	22,617
	<hr/> 3,480,826	<hr/> 3,998,156
Rental income - interfund activity	<hr/> -	<hr/> (14,683)
Total revenues	<hr/> <b>\$ 3,480,826</b>	<hr/> <b>\$ 3,983,473</b>

COMMUNITY COLLEGE LEAGUE OF CALIFORNIA

SCHEDULE VI  
DETAIL OF TOTAL EXPENSES –  
EXCLUDING CALIFORNIA COMMUNITY COLLEGE ATHLETIC ASSOCIATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	Budget (Memorandum Only)	Actual
Staff	\$ 2,133,559	\$ 2,125,047
District services program	382,400	474,055
Conventions, conferences, and workshops	475,000	738,053
Office operations	193,600	173,357
Boards	71,775	127,632
Other	84,950	99,481
Professional services	34,000	65,881
Publications	34,500	28,254
Phi Theta Kappa awards	12,000	16,100
Committees	18,000	7,039
Corporate partners program	30,000	56,692
League on call	3,000	4,656
Website & association management	3,600	3,792
Memberships	3,500	3,182
	<hr/> 3,479,884	<hr/> 3,923,221
From Special Revenue Reserve	-	143,063
Change in net pension liability	<hr/> -	<hr/> (38,432)
Total expenses	<hr/> \$ 3,479,884	<hr/> \$ 4,027,852

**COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

**SCHEDULE VII  
CALIFORNIA COMMUNITY COLLEGE ATHLETIC ASSOCIATION -  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Budget</b>		<b>Actual</b>
	<b>(Memorandum Only)</b>		
<b>Revenues</b>			
Membership dues	\$ 753,875	\$	743,375
Annual convention and championships	310,000		330,698
Corporate partners	25,000		23,000
Interest and investment income	300		10
Publications	5,500		2,467
Commissions and rebates	20,000		21,679
<b>Total Revenues</b>	<b>1,114,675</b>		<b>1,121,229</b>
<b>Expenses</b>			
Salaries and benefits	604,542		581,342
Annual convention & championships	235,500		274,193
Operations and other	227,527		167,271
Public relations	5,000		891
Professional services	15,000		23,158
Special projects	5,000		-
	1,092,569		1,046,855
Rent expense - interfund activity	-		(14,683)
Change in net pension liability	-		(10,751)
<b>Total Expenses</b>	<b>1,092,569</b>		<b>1,021,421</b>
<b>Change in Unrestricted Net Assets</b>	<b>\$ 22,106</b>	<b>\$</b>	<b>99,808</b>