

To the Board of Directors  
 College of Marin Foundation  
 Kentfield, California

In planning and performing our audit of the financial statements of the College of Marin Foundation (“Foundation”) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation’s internal control over financial reporting (“internal control”) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters that we are required to or wish to communicate to you. Matters communicated in this letter are classified based on Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, as follows.

- **Deficiency** – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- **Significant Deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- **Material Weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.

<b>Accounts Payable</b>		<b>Material Weakness</b>
<b>Observation:</b>	The Foundation’s original trial balance for the year ended June 30, 2012 presented for audit did not include all expenses and related payables. During the testing of disbursements occurring subsequent to June 30, 2012, three transactions were identified that should have been accrued as expenses in fiscal year 2012, however, the activity related to these transactions were originally recorded in fiscal year 2013. The three transactions, related to operational costs for the District’s College Skills and Career Bridges program, equipment purchased to support District classes, and professional services rendered for accounting work. As a result of these items, Foundation management reexamined all disbursements occurring after June 30, 2012, and determined additional expenses totaling \$85,455 should be accrued in fiscal year 2012 requiring an adjustment to the Foundation’s June 30, 2012 financial position.	
<b>Recommendation:</b>	We recommend the Foundation’s internal control process related to cash disbursements should ensure each disbursement is charged to the proper financial period. Further, services received, even if not billed, should be estimated and properly accrued at the close of each financial period.	

Budgetary Controls – Encroachment of Restricted Funds	Material Weakness
<b>Observation:</b>	<p>During fiscal year 2012, the Foundation expended program funds held for restricted purposes to support the operations of the Foundation. For of the year ended June 30, 2012, expenditures of restricted funds to supporting ongoing operations totaled \$329,094. Management of the Foundation has projected the total encroachment of restricted funds to support Foundation operations at December 31, 2012 to total \$464,464. Subsequent to December 31, 2012, the Foundation operations were minimal.</p> <p>The operating budget adopted by the Foundation board of directors for the 2012 fiscal year projected expenses, excluding activity related to grants and scholarships to the District and it's students, totaling \$286,100. Actual expenditures for the year ended June 30, 2012, excluding activity related to grants and scholarships totaled \$760,673, exceeding the approved budget by \$474,573.</p> <p>The significant variances between the approved budget and actual expenses for the year ended June 30, 2012 relate to professional services and other general expenses.</p> <p>Professional service expenses for the 2012 fiscal year totaled \$403,362. The approved budget for professional services totaled \$7,200 resulting in a negative budget variance totaling \$396,162. Significant unbudgeted expenses related to professional services included accounting fees, legal fees, general consultants and contractors and temporary employees totaling \$46,163, \$54,796, \$188,362, \$21,880, respectively.</p> <p>The Foundation also incurred approximately \$25,000 in unbudgeted other expenses. The operating budget approved by the Foundation board of directors identified a plan to spend \$10,000 on other operating expenditures. For the year ended June 30, 2012, the Foundation actually spent \$35,000 on other operating expenditures. These expenses related to facility costs related to an offsite lease, moving costs, bank charges, supplies and other miscellaneous expenses.</p> <p>The budget variances were communicated at the Foundation board meetings, however, no action was taken to amend the approved budget.</p>
<b>Recommendation:</b>	<p>The Foundation should have board policy prohibiting the use of restricted funds for purposes other than in which they were entrusted to the Foundation. The Foundation should have a clearly established operating budget representing the actual expected activity for the fiscal year. Amendments to the adopted budget should be approved by the Finance Committee and the Board of Directors. The amended budget should be clearly documented in the minutes of the Finance Committee and Board of Directors. Management should not disburse funds which do not agree with the budgetary plan established by the Board.</p> <p>The Foundation should develop a plan to correct the encroachment on restricted funds and to address the potential impact on the Foundation regarding a return of funds to grantors or donors for using restricted funds for operations.</p>

Donor Letters	Significant Deficiency
<b>Observation:</b>	<p>The Foundation was unable to locate 11 donor letters to support funds restricted for specific purposes. In some instances, the restricted purpose was established by the Foundation a significant number of years prior to fiscal year 2012. In each instance where a donor letter could not be found, the Foundation did demonstrate a consistent use of the funds spanning multiple fiscal years. This method to support the proper and consistent use of restricted funds has been utilized by the Foundation in prior year fiscal year audits. Without the original donor letter the risk exists for restricted funds to be spent for purposes other than the intended use of the donor.</p>
<b>Recommendation:</b>	<p>The Foundation should ensure when funds are donated a standardized document is utilized to ensure the intent of the donated funds is properly documented and followed. The form documenting the donor's intent and the Foundation's understanding of the donor's desired use of the funds should be signed by both the donor and management. The form should be maintained in a consistent location for use in subsequent periods.</p>

This communication is intended solely for the information and use of management, individuals charged with governance, the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*

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Sacramento, California  
March 28, 2013