

**SOUTHWESTERN COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

\* \* \* \* \*

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

***SOUTHWESTERN COLLEGE FOUNDATION***  
***Financial Statements and Independent Auditor's Report***  
***For the Year Ended June 30, 2015***

C O N T E N T S

	Page
Independent Auditor's Report	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5-7

**INDEPENDENT AUDITOR'S REPORT**

**ARMANDO MARTINEZ & COMPANY**  
**Certified Public Accountants**  
**365 Church Avenue, Chula Vista, CA 91910**  
**(619) 427-1981 • FAX (619) 427-2576**

To the Board of Directors of  
Southwestern College Foundation  
Chula Vista, California

Independent Auditor's Report

We have audited the accompanying financial Statements of Southwestern College Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year 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 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 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 the 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern College Foundation as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

November 12, 2015

*Armando Martinez + Co. CPAs*

**FINANCIAL STATEMENTS**

**SOUTHWESTERN COLLEGE FOUNDATION**  
**Statement of Financial Position**  
**June 30, 2015**

**ASSETS**

---

Cash (Note 3)	\$ 90,613
Investments (Note 4)	895,399
Accounts receivable	582
Prepaid expenses	<u>2,500</u>
Total assets	<u><u>\$ 989,094</u></u>

**LIABILITIES AND NET ASSETS**

---

Liabilities

Accounts payable	\$ 1,194
Deferred revenue	<u>2,500</u>
Total liabilities	<u><u>3,694</u></u>

Net assets (Note 2)

Unrestricted	252,719
Temporarily restricted	732,681
Permanently restricted	0
Total net assets	<u>985,400</u>
Total liabilities and net assets	<u><u>\$ 989,094</u></u>

See accompanying notes to financial statements

***SOUTHWESTERN COLLEGE FOUNDATION***  
***Statement of Activities and Changes in Net Assets***  
***For the Fiscal Year Ended June 30, 2015***

	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<b><u>Revenue and support (Note 2)</u></b>			
Contributions	\$ 3,450	\$ 70,398	\$ 73,848
Special event	0	81,050	81,050
Investment loss, net of \$11,139 of investment advisory fees	(21,702)	(13,648)	(35,350)
Interest and dividend	28,025	3,307	31,332
Net assets released from restriction:			
Satisfaction of donor requirements	<u>(41,108)</u>	<u>41,108</u>	<u>0</u>
<b>Total revenue and support</b>	<b><u>(31,335)</u></b>	<b><u>182,215</u></b>	<b><u>150,880</u></b>
 <b><u>Expenses (Note 2)</u></b>			
Program Services:			
Campus organizations and activities	0	21,337	21,337
Student scholarships and awards	<u>0</u>	<u>57,108</u>	<u>57,108</u>
Total program services	0	78,445	78,445
Supporting Services:			
Fundraising	0	26,901	26,901
General and administrative	<u>0</u>	<u>11,545</u>	<u>11,545</u>
<b>Total expenses</b>	<b><u>0</u></b>	<b><u>116,891</u></b>	<b><u>116,891</u></b>
Increase in net assets	(31,335)	65,324	33,989
Net assets at beginning of year	<u>764,016</u>	<u>187,395</u>	<u>951,411</u>
 Net assets at end of year	 <b><u><u>\$732,681</u></u></b>	 <b><u><u>\$252,719</u></u></b>	 <b><u><u>\$985,400</u></u></b>

See accompanying notes to financial statements

***SOUTHWESTERN COLLEGE FOUNDATION***  
***Statement of Cash Flows***  
***For the Fiscal Year Ended June 30, 2015***

---

**CASH FLOWS USED BY OPERATING ACTIVITIES**

Increase in net assets	\$ 33,989	
Adjustments to reconcile increase in net assets to net cash generated by operating activities:		
Realized gains on sales of investments	(94,437)	
Unrealized loss on investments	118,647	
Decrease in accounts receivable	1,030	
Decrease in Due to Southwestern College	(101)	
Increase in accounts payable	538	
Increase in deferred revenue	<u>2,500</u>	
Net cash generated by operating activities		\$ 62,166

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investment instruments		<u>(31,026)</u>
Net increase in cash		31,140
Cash at beginning of year		<u>59,473</u>
Cash at end of year		<u><u>\$ 90,613</u></u>

See Accompanying Notes to the Financial Statements



SOUTHWESTERN COLLEGE FOUNDATION  
Notes to Financial Statements  
June 30, 2015

Note 1. ORGANIZATION

The Southwestern College Foundation (“the Foundation”) is a California not-for-profit public benefit corporation organized and incorporated in 1982. The Foundation was established for the purpose of raising friends and funds that support all aspects of educational advancement at Southwestern College.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Transfers of funds in which the Foundation is acting as an agent, trustee or intermediary for the donor are not recorded as revenue.

Basis of Presentation

Financial statement presentation follows the recommendation of the FASB Accounting Standards Codification *958 Financial Statements of Not-for-Profit Organization*. The Foundation is required to report its financial position and activities according to three classes of net assets:

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

Temporarily Restricted – Net assets subject to donor-imposed restrictions on their use that can be fulfilled either by actions of the Foundation pursuant to those restrictions or the passage of time.

Permanently Restricted – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Foundation. Generally, the donors permit the Foundation to use all or part of the income earned for either general or donor-specified purposes. No permanently restricted assets were held during the current fiscal year. Accordingly, these financial statements do not reflect any activity related to this class of net assets.

Income Taxes

The Foundation, a not-for-profit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

SOUTHWESTERN COLLEGE FOUNDATION  
Notes to Financial Statements  
June 30, 2015

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments) is included in the accompanying Statement of Activities.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a donor imposed restriction expires or when the purpose of the 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, management believes that differences, if any, would not be significant.

Note 3. CASH

For the statement of financial position and statement of cash flows, cash is defined as all monies in checking, money market, and certificate of deposit. The cash balance as of June 30, 2015 was as follows:

Checking account	\$ 45,092
Money Market accounts	<u>45,521</u>
Total	<u>\$ 90,613</u>

SOUTHWESTERN COLLEGE FOUNDATION  
Notes to Financial Statements  
June 30, 2015

Note 4. INVESTMENTS

Investments, stated at fair value, consist of the following at June 30, 2015:

	<u>Fair Value</u>
Cash	\$ 40,980
Exchange traded funds	184,722
Mutual funds – bond funds	170,998
Equity securities	<u>498,699</u>
Total	<u>\$ 895,399</u>

Investment income consists of the following:

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net realized gain	\$ 84,653	\$ 9,784	\$ 94,437
Net unrealized loss	(106,355)	(12,293)	(118,648)
Investment advisory and other fees	<u>0</u>	<u>(11,139)</u>	<u>(11,139)</u>
	<u>(\$ 21,702)</u>	<u>(\$ 13,648)</u>	<u>(\$ 35,350)</u>

Note 5. DONATED SERVICES

The Board of Directors manages the operations of the Foundation. These management services include all aspects of Foundation operations including fundraising, overseeing the disbursing of donations, awards and stipends, and recordkeeping. The Foundation provides no monetary remuneration to the Board of Directors. No amounts have been reflected in the financial statements for these donated services, as no objective basis is available to measure the value of such services.

Note 6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 13, 2015, the date the financial statements were available to be issued. No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.