

SOUTHWESTERN COLLEGE FOUNDATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SOUTHWESTERN COLLEGE FOUNDATION
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants
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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, 2016, 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, 2016, 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.

December 5, 2016

Armando Martinez & Co. CPAs

FINANCIAL STATEMENTS

SOUTHWESTERN COLLEGE FOUNDATION
Statement of Financial Position
June 30, 2016

ASSETS

Cash (Note 3)	\$ 103,622
Investments (Note 4)	875,501
Prepaid expenses	<u>13,407</u>
Total assets	<u><u>\$ 992,530</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Accounts payable	\$ 2,424
Deferred revenue	<u>5,500</u>
Total liabilities	<u>7,924</u>
<u>Net assets (Note 2)</u>	
Unrestricted	239,188
Temporarily restricted	745,418
Permanently restricted	<u>0</u>
Total net assets	<u>984,606</u>
Total liabilities and net assets	<u><u>\$ 992,530</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, 2016

	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<u>Revenue and support (Note 2)</u>			
Contributions	\$ 11,025	\$ 20,307	\$ 31,332
Special event	9,675	109,143	118,818
Investment loss, net of \$10,775 of investment advisory fees	(17,395)	(15,800)	(33,195)
Interest and dividend	17,822	5,241	23,063
Net assets released from restriction:			
Satisfaction of donor requirements	<u>(22,100)</u>	<u>22,100</u>	<u>0</u>
Total revenue and support	<u>(973)</u>	<u>140,991</u>	<u>140,018</u>
 <u>Expenses (Note 2)</u>			
Campus organizations and activities	0	50,393	50,393
Community activities	0	100	100
Student scholarships and awards	0	39,600	39,600
Costs of direct benefits to donors	0	37,638	37,638
General and administrative	<u>0</u>	<u>13,081</u>	<u>13,081</u>
Total expenses	<u>0</u>	<u>140,812</u>	<u>140,812</u>
 Increase (decrease) in net assets	 (973)	 179	 (794)
Net assets at beginning of year	732,681	252,719	985,400
Change in donor designation	<u>13,710</u>	<u>(13,710)</u>	<u>0</u>
 Net assets at end of year	 <u>\$ 745,418</u>	 <u>\$ 239,188</u>	 <u>\$ 984,606</u>

See accompanying notes to financial statements

SOUTHWESTERN COLLEGE FOUNDATION
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

<u>Cash Flows Generated by Operating Activities</u>		
Decrease in net assets	\$ (794)	
Adjustments to reconcile decrease in net assets to net cash generated by operating activities:		
Net loss on investments	22,420	
Decrease in accounts receivable	582	
Increase in prepaid expenses	(10,907)	
Increase in accounts payable	1,230	
Increase in deferred revenue	<u>3,000</u>	
Net cash generated by operating activities		\$ 15,531
<u>Cash Flows Used by Investing Activities</u>		
Proceeds from sales of investments	34,975	
Purchases of investments	<u>(37,497)</u>	
Net cash used by investing activities		<u>(2,522)</u>
Net increase in cash		13,009
Cash at beginning of year		<u>90,613</u>
Cash at end of year		<u><u>\$103,622</u></u>

See accompanying notes to financial statements

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2016

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 rather than when cash is received and expenses are recognized when incurred rather than when cash is disbursed. 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 and are available for use by the Board of Directors and management's discretion in carrying out the activities of the Foundation consistent with its Articles of Incorporation and Bylaws. 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2016

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 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.

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2016

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, 2016 was as follows:

Checking account	\$ 36,183
Money Market accounts	<u>67,439</u>
Total	<u>\$ 103,622</u>

Note 4. INVESTMENTS

Investments, stated at fair value, consist of the following at June 30, 2016:

	<u>Fair Value</u>
Cash	\$ 40,799
Exchange traded funds	221,826
Mutual funds – bond funds	155,498
Equity securities	<u>457,379</u>
Total	<u>\$ 875,502</u>

Investment income consists of the following:

	Temporarily		
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net realized loss	(\$ 1,863)	(\$ 1,693)	(\$ 3,556)
Net unrealized loss	(9,885)	(8,979)	(18,864)
Investment advisory and other fees	<u>0</u>	<u>(10,775)</u>	<u>(10,775)</u>
	<u>(\$17,395)</u>	<u>(\$ 15,800)</u>	<u>(\$ 33,195)</u>

Note 5. DONATED SERVICES

The Board of Directors oversees the operations of the Foundation. These oversight services include virtually all aspects of the Foundation business and affairs, including fundraising, the disbursement 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.

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2016

Note 6. **RELATED PARTY TRANSACTIONS**

In accordance with the Memorandum of Understanding between the Foundation and Southwestern College ("the College"), the Foundation may occupy and use College facilities and property at no cost. In addition, the College provides other resources to the Foundation, which includes salaries and related expenses of the Foundation Executive Director and support staff. The value of these College contributions is not recorded in the statement of activities as the amount is not available.

Note 7. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 5, 2016, 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.