

SOUTHWESTERN COLLEGE FOUNDATION

(A CALIFORNIA NONPROFIT CORPORATION)

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

JUNE 30, 2017

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Southwestern College Foundation
Chula Vista, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwestern College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses 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 Foundation'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 Foundation'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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwestern College Foundation as of June 30, 2017, 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.

Vauinek, Tine, Day & Co., LLP

Rancho Cucamonga, California

October 17, 2017

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$	115,182
Cash and cash equivalents - restricted		123,672
Pledges receivable		2,948
Accounts receivable		4,120
Total Current Assets		245,922

Noncurrent Assets

Investments		956,094
TOTAL ASSETS	\$	1,202,016

LIABILITIES

Current Liabilities

Accounts payable	\$	284
Deferred revenue		19,935
TOTAL LIABILITIES		20,219

NET ASSETS

Unrestricted		
Undesignated		93,878
Board designated		143,347
Total Unrestricted		237,225
Temporarily restricted		369,323
Permanently restricted		575,249
TOTAL NET ASSETS		1,181,797
TOTAL LIABILITIES AND NET ASSETS	\$	1,202,016

See the accompanying notes to financial statements.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenues				
Contributions	\$ 16,007	\$ 276,534	\$ 3,468	\$ 296,009
Donated District services	311,718	-	-	311,718
Special event revenue	146,893	17,968	-	164,861
Less: cost of direct benefit to donor	(43,297)	-	-	(43,297)
Net assets released from restrictions	188,426	(188,426)	-	-
Total Public Support and Revenues	<u>619,747</u>	<u>106,076</u>	<u>3,468</u>	<u>729,291</u>
Expenses				
Campus activities program	225,489	-	-	225,489
Scholarship and awards program	45,600	-	-	45,600
Operating	343,918	-	-	343,918
Fundraising	289	-	-	289
Total Expenses	<u>615,296</u>	<u>-</u>	<u>-</u>	<u>615,296</u>
Other Income				
Net unrealized gain	11,599	12,265	44,804	68,668
Interest and dividends, net of fees	2,402	12,126	-	14,528
Total Other Income	<u>14,001</u>	<u>24,391</u>	<u>44,804</u>	<u>83,196</u>
TRANSFERS	<u>(20,415)</u>	<u>(506,562)</u>	<u>526,977</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(1,963)</u>	<u>(376,095)</u>	<u>575,249</u>	<u>197,191</u>
NET ASSETS, BEGINNING OF YEAR	<u>239,188</u>	<u>745,418</u>	<u>-</u>	<u>984,606</u>
NET ASSETS, END OF YEAR	<u>\$ 237,225</u>	<u>\$ 369,323</u>	<u>\$ 575,249</u>	<u>\$ 1,181,797</u>

See the accompanying notes to financial statements.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 197,191
Net unrealized gain	(68,668)
Contributions restricted for long-term purposes	(280,002)
Change in operating assets and liabilities	
Pledges receivable	(2,948)
Accounts receivable	(4,120)
Prepaid expenses	13,407
Accounts payable	(2,140)
Deferred revenue	14,435
Net Cash Flows From Operating Activities	<u>(132,845)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchase of investments	(11,925)
Change in restricted cash	(101,822)
Net Cash Flows From Investing Activities	<u>(113,747)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	<u>280,002</u>
 NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	33,410
 UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>81,772</u>
 UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 115,182</u>

See the accompanying notes to financial statements.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	Program		Support		Total
	Campus Activities	Scholarships and Awards	Operating	Fundraising	
District donated salaries and benefits	\$ -	\$ -	\$ 276,957	\$ -	\$ 276,957
District donated services and supplies	-	-	34,761	-	34,761
Mini-grants	60,163	-	-	-	60,163
Pass-through contributions	143,810	-	-	-	143,810
Student programs	21,516	-	-	-	21,516
Scholarship payments	-	25,600	-	-	25,600
Student awards	-	20,000	-	-	20,000
Donor appreciation	-	-	2,819	-	2,819
Professional services	-	-	27,163	-	27,163
Memberships	-	-	350	-	350
Office expense	-	-	1,177	-	1,177
Software and training	-	-	529	-	529
License, tax, and fees	-	-	162	-	162
Printing and supplies	-	-	-	289	289
Total Expenses	<u>\$ 225,489</u>	<u>\$ 45,600</u>	<u>\$ 343,918</u>	<u>\$ 289</u>	<u>\$ 615,296</u>

See the accompanying notes to financial statements.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Southwestern College Foundation (the Foundation) is a nonprofit organization founded in 1982 for the purpose of receiving contributions for the support and advancement of education on behalf of Southwestern Community College District (the District). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the District. The Foundation is a Voluntary Health and Welfare Organization as defined by the Financial Accounting Standards Board (FASB) Accounting Standards of Codification (ASC) Topic 958.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with FASB ASC Topic 958-210-50. Under ASC Topic 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

The Foundation and the District are financial interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under the campus activities program.

Method of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America utilizing the accrual basis of accounting. Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets according to the existence or absences of donor-imposed restrictions as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted – Net assets not subject to donor-imposed stipulations.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Investments and Investment Income

Under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, 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. Unrealized gains and losses are included in the change in net assets. Fair value is measured using Level 1 inputs, defined in FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Net gains and losses and interest and dividend income are included in investment income on the statement of activities and changes in net assets.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Support and Expenses

The Foundation receives support from the following sources: contributions, donated services and materials, and special events. Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets.

Donated Services and Goods

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In addition, a number of volunteers have donated time to the Foundation's fundraising campaigns, which have not been reflected in the accompanying financial statements because the recognition criteria were not met. Donated services are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same service. The value of contributed services is recognized as both revenue and expense to the Foundation.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and 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. Accordingly, actual results could differ from those estimates.

Classification of Current and Noncurrent Assets and Liabilities

The Foundation considers assets and liabilities that can reasonably be expected, as part of its normal operations, to be converted to cash or liquidated within twelve months of the statement of net assets date to be current. All other assets and liabilities are considered noncurrent.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balance. At June 30, 2017, management has determined all accounts receivable are fully collectable, and no allowance for bad debts has been established.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken, or expected to be taken, on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The Foundation's Federal informational tax returns for the years ended June 30, 2014, 2015, and 2016, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2013, 2014, 2015, and 2016, are open to audit by State authorities.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, there are no shared cost among the programs and support services that require allocation.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met or when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized. At June 30, 2017, deferred revenue has been recorded in this financial statement in the amount of \$19,935 for support on the upcoming annual Fall event in November.

NOTE 2 - CONCENTRATION OF RISK

The Foundation maintains cash balances in financial institutions which are insured up to \$250,000 (FDIC). This is for all combined balances under the financial institution. At June 30, 2017, the Foundation had insured cash balances of \$250,000 and uninsured cash deposits of \$10,905.

NOTE 3 - CASH

For the statement of financial position and statement of cash flows, cash is defined as all monies in checking and money market net of un-cleared checks. The net un-cleared cash balance as of June 30, 2017, was as follows:

General checking account (unrestricted)	\$ 74,545
Money market reserve account (unrestricted)	40,637
Donor restricted annual fund (temporarily restricted)	123,672
Total	<u>\$ 238,854</u>

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 - PLEDGES

At June 30, 2017, unconditional promises to give have been recorded in the financial statements in the amount of \$2,948. These pledges are expected to be collected within one year. Management has deemed all pledges collectable as of fiscal year end.

NOTE 5 - ACCOUNTS RECEIVABLE

Receivables to be collected from related parties as of the balance sheet date where one party can exercise control or significant influence over another party. The Foundation requires awardees of mini-grants to return unused amounts according to a written agreement that defines the purpose of the grant. Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management has deemed all accounts receivable collectable as of fiscal year end. Accounts receivable at June 30, 2017, represent \$4,120, due from the District.

NOTE 6 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2017:

	Adjusted Cost	Fair Market Value	Unrealized Gain (Loss)
Fixed income - closed end funds and exchange traded products	\$ 159,019	\$ 158,235	\$ (784)
Fixed income - mutual funds	202,956	202,475	(481)
Equities - common stock	475,683	545,616	69,933
Cash	49,768	49,768	-
Total	<u>\$ 887,426</u>	<u>\$ 956,094</u>	<u>\$ 68,668</u>

Investment activity for the year ended June 30, 2017:

Net unrealized gain on investments	\$ 68,668
Interest and dividends	25,602
Total Investment Income	<u>94,270</u>
Management fees	(11,074)
Total Investment Income, Net of Expenses	<u>\$ 83,196</u>

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in U.S. GAAP under FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level I - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II - Observable inputs other than Level I prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2017. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2017.

ASSETS	Level I
Fixed income - closed end funds and exchange traded products	\$ 158,235
Fixed income - mutual funds	202,475
Equities - common stock	545,616
Cash	49,768
Total	<u>\$ 956,094</u>

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - DONATED SERVICES

As described in Note 1, the Foundation's purpose is to support the students and programs of the District; therefore, transactions between the Foundation and the District are expected. Per the terms of the Master Agreement, the Foundation is authorized to use facilities and property of the District and is covered under the District's insurance. During the year, office space and other District services was provided by the District. The value of the donated space and donated indirect cost has not been determined and is not recognized in the financial statements. The Foundation is governed by a volunteer Board of Directors separate from that of the District Trustees; however, the College President is an ex-officio advisor of the Foundation's Board of Directors, and the Board may include other District, College, or affiliate personnel from time to time.

NOTE 9 - QUASI AND DONOR DESIGNATED ENDOWMENT AND NON-ENDOWMENT

The Foundation consists of various funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowments are classified and reported based on existence of donor-imposed restrictions as either unrestricted, temporarily restricted, or permanently restricted.

The Foundation operates under the guidance of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, as requiring the preservation of fair value of the original gift, as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation has classified as permanently restricted net assets (a) original value of gifts donated to permanent endowment (b) plus the original value of subsequent gifts to the endowments (c) plus accumulate to the permanent endowment made in accordance with the direction of the applicable donor gift. 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.

Endowment assets are invested in a well-diversified mix including equity and fixed-income securities, intended to provide an inflation-protected rate of return satisfying the distribution requirements while protecting the corpus. Investment risk is measured in terms of the total endowment fund, not individual endowments.

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Spending is subject to the intent of the donor set forth in express provisions of any applicable gift instrument, the Foundation may appropriate for expenditure, or accumulate, so much of an endowment fund as the Foundation determines is product for the uses, purposes, benefits, and duration for which the endowed fund was established. In order to preserve the real value of the Foundation's endowed assets, a spending payout rate may be selected that strikes a reasonable balance between current spending outlays and reinvestment of the remainder to support spending in the future. In making a determination to appropriate or accumulate any endowed funds, the Foundation shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, all of the following factors:

- the duration and preservation of the fund;
- the purposes of the Foundation and the fund;
- general economic conditions;
- possible effects of inflation or deflations;
- the expected total return from income and appreciation of investments;
- other resources of the Foundation; and
- the Foundation's Investment Policy

Endowment net asset composition by type of fund as of June 30, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Quasi-unrestricted and donor-restricted endowment funds	\$ 143,347	\$ 237,499	\$ 575,249	\$ 956,095

Changes in endowment net assets as of June 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Balance at July 1, 2016	\$ 147,442	\$ 728,060	\$ -	\$ 875,502
Reclassification of endowments	(15,000)	(506,562)	521,562	-
Contributions	-	17,222	3,468	20,690
Investment income	2,366	12,114	-	14,480
Investment appreciation	11,599	12,265	44,804	68,668
Amounts appropriated for expenditures	(2,500)	(25,600)	-	(28,100)
Other changes and net transfers	(560)	-	5,415	4,855
Endowment net assets, June 30, 2017	\$ 143,347	\$ 237,499	\$ 575,249	\$ 956,095

**SOUTHWESTERN COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - TRANSACTIONS WITH RELATED ENTITIES

There are significant administrative costs of the Foundation that are paid by the District in accordance with a Memorandum of Understanding between the District and the Foundation that provides that the District will pay salaries and benefits and most services and supplies in exchange for the Foundation stewarding gift assets on behalf of the College and for assisting with the College's fundraising efforts.

These services are provided by the Office of Development and Foundation, a department of Southwestern College, formed exclusively for the management and oversight of College Development and Foundation programs and resources. The cost incurred by the Office of Development and Finance are shown in the financial statements as services donated by the District.

NOTE 11 - TRANSFERS BETWEEN FUNDS

During the year ended June 30, 2017, Foundation management reviewed the original donor documentation for certain endowment funds held in the Quasi unrestricted and temporarily restricted net assets. The review of the documentation revealed that the donor intent for such contributions were such that the endowment be held in perpetuity. As such, the Foundation has reclassified the endowment balances into the permanently restricted net asset class.

NOTE 12 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions from June 30, 2017, through October 17, 2017, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.

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
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, 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.

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

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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>
<u>Revenue and support (Note 2)</u>			
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>
Total revenue and support	<u>(31,335)</u>	<u>182,215</u>	<u>150,880</u>
 <u>Expenses (Note 2)</u>			
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>
Total expenses	<u>0</u>	<u>116,891</u>	<u>116,891</u>
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	 <u><u>\$732,681</u></u>	 <u><u>\$252,719</u></u>	 <u><u>\$985,400</u></u>

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.

SOUTHWESTERN COLLEGE FOUNDATION

UNAUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

* * *

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants

SOUTHWESTERN COLLEGE FOUNDATION
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2014

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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, 2014, 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, 2014, 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 13, 2014

Armando Martinez + Co. CPAs

FINANCIAL STATEMENTS

SOUTHWESTERN COLLEGE FOUNDATION
Statement of Financial Position
 June 30, 2014

ASSETS

Cash (Note 3)	\$ 59,473
Investments (Note 4)	888,583
Accounts receivable	1,612
Prepaid expenses	<u>2,500</u>
Total assets	<u><u>\$ 952,168</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Due to Southwestern College	\$ 101
Accounts payable	<u>656</u>
Total liabilities	<u>757</u>
 <u>Net assets (Note 2)</u>	
Unrestricted	187,395
Temporarily restricted	764,016
Permanently restricted	<u>0</u>
Total net assets	<u>951,411</u>
Total liabilities and net assets	<u><u>\$ 952,168</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, 2014

	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<u>Revenue and support (Note 2)</u>			
Contributions	\$ 660	\$ 15,585	\$ 16,245
Special event	0	117,461	117,461
Investment income, net of \$9,878 of investment advisory fees	81,476	9,920	91,396
Interest and dividend	21,706	5,716	27,422
Net assets released from restriction:			
Satisfaction of donor requirements	<u>(73,250)</u>	<u>73,250</u>	<u>0</u>
Total revenue and support	<u>30,592</u>	<u>221,932</u>	<u>252,524</u>
<u>Expenses (Note 2)</u>			
Program Services:			
Campus organizations and activities	0	83,805	83,805
Community activities	0	500	500
Student scholarships and awards	0	37,400	37,400
Total program services	<u>0</u>	<u>121,705</u>	<u>121,705</u>
Supporting Services:			
Fundraising	0	66,130	66,130
General and administrative	0	14,498	14,498
Total expenses	<u>0</u>	<u>202,333</u>	<u>202,333</u>
Increase in net assets	30,592	19,599	50,191
Net assets at beginning of year	<u>733,424</u>	<u>167,796</u>	<u>901,220</u>
Net assets at end of year	<u>\$764,016</u>	<u>\$187,395</u>	<u>\$951,411</u>

See accompanying notes to financial statements

SOUTHWESTERN COLLEGE FOUNDATION
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

CASH FLOWS USED BY OPERATING ACTIVITIES

Increase in net assets	\$	50,191
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Unrealized gain on investments		(81,196)
Increase in accounts receivable		(454)
Decrease in prepaid expenses		4,000
Decrease in Due to Southwestern College		(20,000)
Decrease in accounts payable		<u>(2,634)</u>
Net cash used by operating activities		\$ (50,093)

CASH FLOWS FROM INVESTING ACTIVITIES

Net proceeds from sale of investment		<u>570</u>
Net decrease in cash		(49,523)
Cash at beginning of year		<u>108,996</u>
Cash at end of year		<u>\$ 59,473</u>

See Accompanying Notes to the Financial Statements

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014

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, 2014

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 2010, 2011, 2012, and 2013 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, 2014 was as follows:

Checking account	\$ 14,020
Money Market accounts	<u>45,453</u>
Total	<u>\$ 59,473</u>

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2014

Note 4. INVESTMENTS

Investments, stated at fair value, consist of the following at June 30, 2014:

	<u>Fair Value</u>
Cash	\$ 9,901
Exchange traded funds	33,922
Mutual funds – stock funds	113,407
Mutual funds – bond funds	252,067
Equity securities	<u>479,286</u>
Total	<u>\$ 888,583</u>

Investment income consists of the following:

	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Net realized gain	\$ 16,153	\$ 3,925	\$ 20,078
Net unrealized gain	65,323	15,873	81,196
Investment advisory and other fees	<u>0</u>	<u>(9,878)</u>	<u>(9,878)</u>
	<u>\$ 81,476</u>	<u>\$ 9,920</u>	<u>\$ 91,396</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.

SOUTHWESTERN COLLEGE FOUNDATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

* * *

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ARMANDO MARTINEZ & COMPANY
Certified Public Accountants

SOUTHWESTERN COLLEGE FOUNDATION
Financial Statements and Independent Auditor's Report
For the Year Ended June 30, 2013

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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 Trustees 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, 2013, 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, 2013, 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, 2013

Armando Martinez + Co. CPAs

FINANCIAL STATEMENTS

SOUTHWESTERN COLLEGE FOUNDATION
Statement of Financial Position
June 30, 2013

ASSETS

Cash (Note 3)	\$ 108,996
Investments (Note 4)	807,957
Accounts receivable	1,158
Prepaid expenses	6,500
Total assets	<u>\$ 924,611</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>	
Due to Southwestern College	\$ 20,101
Accounts payable	3,290
Total liabilities	<u>23,391</u>
<u>Net assets (Note 2)</u>	
Unrestricted	167,796
Temporarily restricted	733,424
Permanently restricted	0
Total net assets	<u>901,220</u>
Total liabilities and net assets	<u>\$ 924,611</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, 2013

	Temporarily <u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
<u>Revenue and support (Note 2)</u>			
Contributions	\$ 53,251	\$ 6,433	\$ 59,684
Special event	0	124,411	124,411
Investment return, net of \$9,570 of investment advisory fees	40,739	2,205	42,944
Interest and dividend	22,209	6,469	28,678
Net assets released from restriction:			
Satisfaction of donor requirements	(28,850)	28,850	0
Total revenue and support	<u>87,349</u>	<u>168,368</u>	<u>255,717</u>
 <u>Expenses (Note 2)</u>			
Program Services:			
Campus organizations and activities	0	29,070	29,070
Community activities	0	475	475
Student scholarships and awards	0	32,300	32,300
Total program services	<u>0</u>	<u>61,845</u>	<u>61,845</u>
 Supporting Services:			
Fundraising	0	85,332	85,332
General and administrative	0	12,162	12,162
Total expenses	<u>0</u>	<u>159,339</u>	<u>159,339</u>
Increase in net assets	87,349	9,029	96,378
Net assets at beginning of year	<u>646,075</u>	<u>158,767</u>	<u>804,842</u>
Net assets at end of year	<u>\$733,424</u>	<u>\$167,796</u>	<u>\$901,220</u>

See accompanying notes to financial statements

SOUTHWESTERN COLLEGE FOUNDATION
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

CASH FLOWS USED BY OPERATING ACTIVITIES

Increase in net assets	\$ 96,378
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Unrealized gain on investments	(40,230)
Decrease in accounts receivable	1,155
Decrease in prepaid expenses	3,263
Decrease in Due to Southwestern College	(29,899)
Decrease in accounts payable	(120)
Decrease in Mariachi scholarship funds	<u>(50,756)</u>
Net cash used by operating activities	\$ (20,209)

CASH FLOWS FROM INVESTING ACTIVITIES

Net proceeds from sale of investment	<u>(12,403)</u>
Net decrease in cash	(32,612)
Cash at beginning of year	<u>141,608</u>
Cash at end of year	<u><u>\$ 108,996</u></u>

See Accompanying Notes to the Financial Statements

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2013

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, 2013

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 2010, 2011, and 2012 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. Unrealized gains and losses are included in the change in net assets 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, 2013 was as follows:

Checking account	\$ 8,984
Savings and Money Market accounts	<u>100,012</u>
Total	<u>\$ 108,996</u>

SOUTHWESTERN COLLEGE FOUNDATION
Notes to Financial Statements
June 30, 2013

Note 4. INVESTMENTS

The Foundation's investments at June 30, 2013 consist of the following holdings:

	<u>Fair Value</u>
Cash	\$ 44,544
Mutual Funds	413,073
Common stock	<u>350,340</u>
Total	<u>\$ 807,957</u>

Note 5. DONATED SERVICES

The Board of Trustees manages the operations of the Foundation. These management services include all aspects of Foundation operations including fund-raising, overseeing the disbursing of donations, awards and stipends, and recordkeeping. The Foundation provides no monetary remuneration to the Board of Trustees. 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.

