

Financial Statements  
June 30, 2025

# Southwestern College Foundation

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Financial Statements

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Southwestern College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Southwestern College Foundation as of June 30, 2025, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2026 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California  
March 12, 2026

Southwestern College Foundation  
Statement of Financial Position  
June 30, 2025

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Assets

Current Assets

Cash and cash equivalents	\$ 1,875,193
Accounts receivable	16,500
Promises to give	59,386
Prepaid expenses	<u>20,193</u>

Total current assets	<u>1,971,272</u>
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Noncurrent Assets

Investments	3,436,849
Beneficial interest in charitable trust held by others	<u>1,191,020</u>

Total noncurrent assets	<u>4,627,869</u>
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Total assets	<u><u>\$ 6,599,141</u></u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Deferred revenue	<u>\$ 43,000</u>
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Net Assets

Without donor restrictions	
Undesignated	331,439
Board designated	<u>358,022</u>

Total without donor restrictions	689,461
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With donor restrictions	<u>5,866,680</u>
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Total net assets	<u>6,556,141</u>
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Total liabilities and net assets	<u><u>\$ 6,599,141</u></u>
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Southwestern College Foundation  
Statement of Activities  
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenues</b>			
Contributions	\$ 40,781	\$ 872,388	\$ 913,169
Contributions related to beneficial interest in charitable trust held by others	-	837,758	837,758
Pass-through contributions	-	1,328,963	1,328,963
Federal grants	-	1,970,926	1,970,926
Donated District services, supplies, and office space	696,471	-	696,471
In-kind contributions	14,462	-	14,462
Gross special event revenue			
Special event revenue	223,816	14,708	238,524
Less: cost of direct benefit to donor	(45,015)	-	(45,015)
Net special event revenue	178,801	14,708	193,509
Net assets released from restrictions	4,094,389	(4,094,389)	-
Total public support and revenues	5,024,904	930,354	5,955,258
<b>Expenses</b>			
Program			
Campus activities	4,124,911	-	4,124,911
Scholarship and awards	322,892	-	322,892
Support			
Operating	736,444	-	736,444
Fundraising	16,119	-	16,119
Total expenses	5,200,366	-	5,200,366
<b>Other Income</b>			
Investment income, net of expense	91,329	329,988	421,317
Change in value of beneficial interest in charitable trust held by others	-	379,825	379,825
Total other income	91,329	709,813	801,142
Change in Net Assets	(84,133)	1,640,167	1,556,034
Net Assets, Beginning of Year	773,594	4,226,513	5,000,107
Net Assets, End of Year	\$ 689,461	\$ 5,866,680	\$ 6,556,141

Southwestern College Foundation  
Statement of Functional Expenses  
Year Ended June 30, 2025

	Program		Support		Total
	Campus Activities	Scholarships and Awards	Operating	Fundraising	
District donated salaries and benefits	\$ -	\$ -	\$ 615,342	\$ -	\$ 615,342
District donated services, supplies, and office space	-	-	81,129	-	81,129
In-kind equipment	14,462	-	-	-	14,462
Mini-grants	56,682	-	-	-	56,682
Pass-through of federal grants	2,253,196	-	-	-	2,253,196
Pass-through contributions	1,328,963	-	-	-	1,328,963
Student programs	471,608	-	-	-	471,608
Scholarship payments	-	322,892	5,350	-	328,242
Donor appreciation	-	-	3,256	-	3,256
Professional services	-	-	21,773	-	21,773
Memberships	-	-	130	-	130
Office expense	-	-	1,359	-	1,359
License, tax, and fees	-	-	5,403	-	5,403
Printing and supplies	-	-	-	319	319
Miscellaneous	-	-	2,702	15,800	18,502
Cost of direct benefit to donor	-	-	-	45,015	45,015
	<u>4,124,911</u>	<u>322,892</u>	<u>736,444</u>	<u>61,134</u>	<u>5,245,381</u>
Less expenses included with revenues on the statement of activities	-	-	-	(45,015)	(45,015)
Total expenses	<u>\$ 4,124,911</u>	<u>\$ 322,892</u>	<u>\$ 736,444</u>	<u>\$ 16,119</u>	<u>\$ 5,200,366</u>

Southwestern College Foundation  
Statement of Cash Flows  
Year Ended June 30, 2025

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Operating Activities	
Change in net assets	\$ 1,556,034
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Contributions restricted for long-term purposes	(3,691)
Contributions received under charitable remainder trust	(837,758)
Net unrealized gain on investments	(215,535)
Net realized gain on investments	(78,848)
Change in value of beneficial interest in charitable trust held by others	(379,825)
Distribution of assets from beneficial interest in charitable trust held by others	26,563
Changes in operating assets and liabilities	
Accounts receivable	(16,500)
Promises to give	(3,458)
Prepaid expenses	(18,068)
Accounts payable	(211)
Deferred revenue	28,280
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Net Cash From Operating Activities	56,983
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Investing Activities	
Purchases of investments	(199,576)
Proceeds from sales of investments	215,818
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Net Cash From Investing Activities	16,242
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Financing Activities	
Collections of contributions restricted for long-term purposes	3,691
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Change in Cash and Cash Equivalents	76,916
Cash and Cash Equivalents, Beginning of Year	1,798,277
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Cash and Cash Equivalents, End of Year	\$ 1,875,193
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**Note 1 - Nature of Organization and Summary of Significant Accounting Policies****Organization and Nature of Activities**

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.

**Financial Statement Presentation**

The Foundation and the District are financially 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.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The FASB has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment, as described in Note 7.

*Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Promises to Give**

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2025, the Foundation's balance of \$59,386 are considered current. Management has deemed all amounts as collectible; therefore, no allowance for doubtful accounts is considered necessary.

**Accounts Receivable and Allowance for Credit Losses**

The Foundation's balance of accounts receivable is related to special event sponsorships. Allowance for credit losses is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. Management has deemed all amounts as collectible; therefore, no allowance is considered necessary.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2025, the Foundation had approximately \$1,400,000 in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with promises to give are limited due to high historical collection rates.

Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. The Foundation maintains investment balances at financial institutions in excess of Securities Investor Protection Corporation (SIPC) limits. As of June 30, 2025, the Foundation had approximately \$2,900,000 in excess of SIPC insurance limits. Concentration risk is managed by placing deposit and investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

#### **Beneficial Interests in Charitable Trust Held by Others**

The Foundation has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. The trust was created independently by a donor and is administered by an outside agent designated by the donor. The Foundation has neither possession nor control over the assets of the trust. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities and a beneficial interest in charitable trust held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interest in the trust is reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

#### **Deferred Revenue**

At June 30, 2025, the Foundation reported \$43,000 of deferred revenue. This balance consists primarily of event sponsorships and ticket sales for the Foundation's Fall 2025 luncheon event. At the time the event occurs, the revenue will be recognized.

#### **Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

A portion of the Foundation's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions, which for the Foundation is the pass-through of funds to the District. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under our federal contracts and grants.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Foundation recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Foundation recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

#### **In-Kind Contributions**

Contributed nonfinancial assets include donated salaries and benefits, office space, professional services/underwriting, supplies, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 10). The Foundation does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, and those differences could be material.

#### **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 financial position date to be current. All other assets and liabilities are considered noncurrent.

#### **Income Taxes**

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the *California Revenue and Taxation Code*.

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. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. There are no shared cost among the programs and support services that require allocation.

**Subsequent Events**

The Foundation's management has evaluated events or transactions from June 30, 2025, through March 12, 2026, 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.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 262,151
Accounts receivable	16,500
Investments	<u>358,022</u>
	<u>\$ 636,673</u>

**Liquidity Management**

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked and invested cash deposits and disbursements to receipts, disbursement records and donor accounts.

**Note 3 - Cash**

The balances as of June 30, 2025, was as follows:

Without Donor Restrictions	
General checking account	\$ 209,653
Money market reserve account	<u>52,498</u>
Total cash without donor restrictions	<u>262,151</u>
With Donor Restrictions	
Donor restricted checking	96,683
Money market reserve account	<u>1,516,359</u>
Total cash with donor restrictions	<u>1,613,042</u>
Total cash	<u><u>\$ 1,875,193</u></u>

**Note 4 - Investments**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2025:

Money market funds	\$ 136,463
Equities - exchange traded funds (ETFs)	<u>3,300,386</u>
Total	<u><u>\$ 3,436,849</u></u>

Investment activity for the year ended June 30, 2025:

Net unrealized gain on investments	\$ 215,535
Net realized gain on investments	78,848
Interest and dividends	<u>143,323</u>
Total investment income	437,706
Management fees	<u>(16,389)</u>
Total investment income, net of expenses	<u><u>\$ 421,317</u></u>

**Note 5 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

A significant portion of investment assets are classified within Level 1 because they comprise money markets and equities with readily determinable fair values based on daily redemption values.

The fair value of the beneficial interest in charitable trust is determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. This is considered Level 3 measurements.

**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, 2025. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2025.

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets				
Money market funds	\$ 136,463	\$ -	\$ -	\$ 136,463
Equities - exchange traded funds (ETFs)	3,300,386	-	-	3,300,386
Beneficial interest in charitable trust held by others	-	-	1,191,020	1,191,020
Total	<u>\$ 3,436,849</u>	<u>\$ -</u>	<u>\$ 1,191,020</u>	<u>\$ 4,627,869</u>

The Foundation did not have any assets or liabilities measured on a non-recurring basis as of June 30, 2025.

**Note 6 - Beneficial Interest in Charitable Trust Held by Others**

The Foundation is the beneficiary of a charitable remainder trust, administered by an individual trustee, which provides for the payment of distributions to the Foundation over the trust's term, until the principal balance does not exceed \$100,000. At the end of the trust's term, the remaining assets will be available to the Foundation. The Foundation recognizes the fair value of its interest in the trust at the time the trust is established as a contribution. Fair value is based on the present value of the estimated future benefits to be received using a discount rate of 4.75%. Assets held in the charitable remainder trust totaled \$1,191,020 at June 30, 2025, and are reported at fair value in the statement of financial position.

**Note 7 - Quasi and Donor Designated Endowment**

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2025, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The mission of the Foundation and the purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and/or deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policy of the Foundation

**Risk Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Since the purpose of endowments is to provide scholarships and other benefits in perpetuity, endowment funds are invested with a long-term perspective. The policy is to protect the principal, over the long-term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on quality-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy**

The Foundation has a policy of appropriating for distribution each year 5% of the endowment fund’s average fair value over the prior 36 months for the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Spending is reviewed annually and allocations are determined to allow continued growth. This is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2025, there were no funds with deficiencies.

Endowment net asset composition by type of fund as of June 30, 2025, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 358,022	\$ -	\$ 358,022
Donor-restricted endowment funds	-	2,929,104	2,929,104
<b>Total</b>	<b>\$ 358,022</b>	<b>\$ 2,929,104</b>	<b>\$ 3,287,126</b>

Changes in endowment net assets as of June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at July 1, 2024	\$ 320,779	\$ 2,683,416	\$ 3,004,195
Contributions	-	3,691	3,691
Investment income, net	7,602	139,540	147,142
Investment appreciation	29,641	167,907	197,548
Amounts appropriated for expenditures	-	(65,450)	(65,450)
<b>Endowment net assets, June 30, 2025</b>	<b>\$ 358,022</b>	<b>\$ 2,929,104</b>	<b>\$ 3,287,126</b>

**Note 8 - Restrictions on Net Assets Balances**

Donor restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2025:

Scholarship funds	\$ 518,723
Beneficial interest in charitable trust held by others	1,191,020
Other donor-restricted campus program funds	1,019,647
Temporary, non-endowment funds	208,186
Endowment scholarship funds - spendable portion	<u>1,606,967</u>
 Total	 <u><u>\$ 4,544,543</u></u>

Donor restricted net assets with restriction perpetual in nature, earning from which are subject to endowment spending policy appropriation consist of the following at June 30, 2025:

Endowment scholarship funds	<u><u>\$ 1,322,137</u></u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2025:

Restricted-purpose distributions and appropriations	
Campus programs - pass-through contributions	\$ 1,328,963
Pass-through of federal grants	1,970,926
Campus programs - other	471,608
Scholarship programs	<u>322,892</u>
 Total	 <u><u>\$ 4,094,389</u></u>

**Note 9 - Related Party Transactions**

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 District and for assisting with the District's fundraising efforts.

These services are provided by the Office of Development and Foundation, a department of Southwestern Community College District, 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. See Note 10 for additional information.

**Note 10 - In-kind Contributions**

For the year ended June 30, 2025, in-kind contributions recognized within the statement of activities included the following:

Employee salary and benefits	\$ 615,342
Services, supplies and office space	81,129
Donated equipment for campus programs	<u>14,462</u>
Total	<u><u>\$ 710,933</u></u>

Foundation staff salary and benefits expenses are paid for by the District, in accordance with the most current Memorandum of Understanding and District Board approved salary schedules. Additionally, the District occasionally will pay certain vendor invoices on behalf of the Foundation in support of its mission. These invoices are paid at full value, charged by the vendor. Donated office space is determined based on current market rates in the area for commercial office space, multiplied by the square footage occupied by the Foundation staff members. See Note 9 for additional information.

Donated equipment for use in the automotive program on campus were recorded based on the fair value of comparable items provided by a third-party, as valued by the donor.

Supplementary Information  
June 30, 2025

# Southwestern College Foundation

Southwestern College Foundation  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Federal Expenditures	Amounts Passed through to Subrecipients
U.S. Department of Defense			
Award for Cooperative Agreement for the establishment of an APEX Accelerator	12.002	\$ 779,650	\$ 779,650
Total U.S. Department of Defense		<u>779,650</u>	<u>779,650</u>
National Science Foundation			
Research and Development Cluster			
Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076	<u>282,269</u>	<u>277,269</u>
Subtotal Research and Development Cluster		<u>282,269</u>	<u>277,269</u>
Small Business Administration			
Small Business Development Centers	59.037	441,277	441,277
San Diego & Imperial Women's Business Center	59.043	<u>750,000</u>	<u>750,000</u>
Total Small Business Administration		<u>1,191,277</u>	<u>1,191,277</u>
Total Federal Financial Assistance		<u>\$ 2,253,196</u>	<u>\$ 2,248,196</u>

**Note 1 - Purpose of Schedules**

**Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) includes the federal award activity of the Southwestern College Foundation (the Foundation) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the net assets, changes in net assets, or cash flows of the Foundation.

Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Foundation has not elected to use the ten percent de minimis cost rate.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Activities and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Mentored Pathways from Community College to Graduate School and Chemistry Careers funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	Federal Financial Assistance Listing	Amount
Total Federal Revenues reported on the financial statements		\$ 1,970,926
Mentored Pathways from Community College to Graduate School and Chemistry Careers	47.076	282,270
Total federal financial assistance		\$ 2,253,196

Independent Auditor's Report  
June 30, 2025

# Southwestern College Foundation



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Southwestern College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 12, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Ontario, California  
March 12, 2026



**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Southwestern College Foundation's (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2025. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Southwestern College Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Foundation's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Ontario, California  
March 12, 2026

Schedule of Findings and Questioned Costs  
June 30, 2025

# Southwestern College Foundation

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weakness identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs: Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Award for Cooperative Agreement for the establishment of an APEX Accelerator	12.002
San Diego & Imperial Women's Business Center	59.043
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

None reported.

The following finding represents a material weakness in internal control over compliance and an instance of noncompliance including questioned costs that is required to be reported by the Uniform Guidance.

**2025-001      Reporting**

**Federal Agency:** U.S. Department of Defense (DoD)  
**Pass-Through Entity:** Direct Funded by the U.S. Department of Defense (DoD)  
**Program Name:** Award of Cooperative Agreement for the establishment of an APEX Accelerator  
**Assistance Listing Number:** 12.002  
**Award Identification Number:** W56KGU2420049  
**Award Year:** 2024-2025

**Federal Agency:** Small Business Administration  
**Pass-Through Entity:** Direct Funded by the Small Business Administration  
**Program Name:** San Diego & Imperial Women's Business Center  
**Assistance Listing Number:** 59.043  
**Award Identification Number:** SBAOEDWB220079  
**Award Year:** 2024-2025

**Criteria**

Under the Federal Funding Accountability and Transparency Act, as implemented by 2 CFR Part 170, non-federal entities are required to report each first-tier subaward with a total obligation or face value of \$30,000 or more in the Federal Subaward Reporting System (FSRS) through SAM.gov. FFATA reports are required to be submitted no later than the last day of the month following the month in which the subaward obligation was made.

**Condition**

*Material Weakness in Internal Control over Compliance and Noncompliance* – The Foundation did not fully comply with FFATA reporting requirements. During testing over FFATA reporting requirements, the following deficiencies were noted:

- For the Award of Cooperative Agreement for the establishment of an APEX Accelerator program, the single subaward obligation was submitted untimely.
- For the San Diego & Imperial Women’s Business Center program, of the two subaward obligations tested, one was not submitted and one was submitted untimely.

**Questioned Costs**

There are no questioned costs associated with the condition identified.

**Context/Sampling**

All subaward obligations were selected for testing. The quantity and subaward obligation errors were noted as follows:

	<u>Quantity</u>	<u>Dollar Value</u>
Total Tested	3	\$1,650,000
Not Reported	1	450,000
Not Timely	2	1,200,000
Obligation Incorrect	-	-
Missing Key Elements	-	-

**Effect**

Subaward obligations were not reported in the SAM.gov website and therefore excluded from public information disclosure.

**Cause**

The Foundation did not have adequate internal controls to ensure subaward information was submitted in accordance with the FFATA reporting requirements. The FAIN number for San Diego & Imperial Women's Business Center provided by the SBA is reported as "invalid" upon entry into Sam.gov, thus causing the Foundation to be unable to report the subawards under this FAIN number.

**Repeat Finding (Yes or No)**

No.

**Recommendation**

The Foundation should enhance internal controls to ensure FFATA reporting requirements are met timely and completely, including procedures for monitoring reporting deadlines and addressing unresolved reporting issues.

**Views of Responsible Officials and Corrective Action Plan**

We concur. Foundation management has implemented new procedures to ensure all required reporting is performed timely and accurately. We will continue outreach to the Small Business Administration to verify and correct the invalid FAIN number.