

**FOUNDATION FOR GROSSMONT AND
CUYAMACA COLLEGES**

AUDIT REPORT

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

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
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JUNE 30, 2015

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Foundation for Grossmont and Cuyamaca Colleges
El Cajon, California

We have audited the accompanying financial statements of Foundation for Grossmont and Cuyamaca Colleges (the "Foundation") which comprise the statement of financial position as of, and the related statements of activities, functional expenses and cash flows for the year June 30, 2015 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 of 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 statements.

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

Christy White, CPA

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Opinion

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

Other Matters

We have previously audited the Foundation for Grossmont and Cuyamaca Colleges June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Christy White Associates

San Diego, California
November 04, 2015

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	1,071,617	919,347
Investments	675,940	671,495
Accounts receivable	-	12,282
Beneficial interest in CCCS endowment	977,570	1,017,167
Total Assets	<u>2,725,127</u>	<u>2,620,291</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 56,824	\$ 74,014
Total liabilities	<u>56,824</u>	<u>74,014</u>
Net assets		
Unrestricted	126,047	245,951
Temporarily restricted	1,557,510	1,283,159
Permanently restricted	984,746	1,017,167
Total net assets	<u>2,668,303</u>	<u>2,546,277</u>
Total Liabilities and Net Assets	<u>\$ 2,725,127</u>	<u>\$ 2,620,291</u>

The notes to financial statements are an integral part of this statement.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUES					
Contributions	\$ 431,149	\$ 415,724	\$ 7,176	\$ 854,049	\$ 863,401
Fundraising sales	30,315	-	-	30,315	43,250
Special events					
Event proceeds	83,471	-	-	83,471	125,884
Less direct benefit to donors	(45,445)	-	-	(45,445)	(34,834)
Net special event income subtotal	38,026	-	-	38,026	91,050
Miscellaneous income	103,674	-	-	103,674	1,626
Net investment income	3,478	-	(39,597)	(36,119)	165,952
Net assets released from restrictions	141,373	(141,373)	-	-	-
Total Support and Revenues	748,015	274,351	(32,421)	989,945	1,165,279
EXPENSES					
Program services	615,748	-	-	615,748	485,629
Management and general	252,171	-	-	252,171	299,863
Total Expenses	867,919	-	-	867,919	785,492
CHANGE IN NET ASSETS	(119,904)	274,351	(32,421)	122,026	379,787
Net Assets - Beginning	245,951	1,283,159	1,017,167	2,546,277	2,166,490
Net Assets - Ending	\$ 126,047	\$ 1,557,510	\$ 984,746	\$ 2,668,303	\$ 2,546,277

The notes to financial statements are an integral part of this statement.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

EXPENSES	Program Services	Management and General	Total	2014
Staff expense	\$ 10,294	\$ 214,519	\$ 224,813	\$ 249,156
Grants and scholarships	141,373	-	141,373	230,836
Contracted services	109,913	-	109,913	139,069
Advertising	10,682	858	11,540	39,161
Printing and postage	1,496	246	1,742	30,000
Equipment	7,114	4,662	11,776	7,460
Occupancy	8,081	-	8,081	6,739
Travel, conferences and meetings	10,090	7,336	17,426	12,408
Supplies	86,882	24,550	111,432	33,458
Miscellaneous	229,823	-	229,823	37,205
Total Expenses	\$ 615,748	\$ 252,171	\$ 867,919	\$ 785,492

The notes to financial statements are an integral part of this statement.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 122,026	\$ 379,787
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net (gains) losses on investments	35,153	(165,952)
(Increase) decrease in operating assets		
Accounts receivable	12,282	(17,390)
Increase (decrease) in operating liabilities		
Accounts payable	(17,191)	(1,980)
Net cash provided by (used in) operating activities	<u>152,270</u>	<u>194,465</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	161,965
Purchase of investments	-	(659,186)
Distributions from CCCS endowment	-	44,000
Net cash provided by (used in) investing activities	<u>-</u>	<u>(453,221)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	152,270	(258,756)
Cash and cash equivalents - Beginning	<u>919,347</u>	<u>1,178,103</u>
Cash and cash equivalents - Ending	<u>1,071,617</u>	<u>919,347</u>

The notes to financial statements are an integral part of this statement.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Foundation for Grossmont and Cuyamaca Colleges (the “Foundation”), was formed as a California nonprofit public benefit corporation on June 14, 2011. The Foundation commenced operation on July 1, 2011 as the successor organization of Grossmont College Foundation (“GCF”) and Cuyamaca College Foundation (“CCF”, collectively the “legacy foundations”). The Foundation’s mission is to receive and manage philanthropic gifts made on behalf of Grossmont-Cuyamaca Community College District (the “District”) for the purpose of raising awareness and resources for the colleges’ programs and students.

The Foundation’s primary sources of income are contributions and grants made directly to the Foundation or raised by the colleges’ departments and programs.

These financial statements include the Foundation’s accounts along with bank and investment accounts held by GCF and CCF, which have been functionally, but not legally, transferred to the Foundation.

B. Basis of Accounting

The Foundation’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenditures have been allocated between program and supporting services based on management’s estimates.

E. Comparative Information – Grossmont College Foundation and Cuyamaca College Foundation

The financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a comparative presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation for Grossmont and Cuyamaca Colleges financial statements for the year ended June 30, 2014 from which the summarized information was derived.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

F. Financial Statement Presentation

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. Unrestricted net assets include all resources available for use by the Board of Directors and management's discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Temporarily or permanently restricted net assets are restricted by the donor or as a matter of law. Temporarily restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the Foundation to support its activities. Donors can place restrictions on the earnings from restricted contributions at the time the contributions are made or pledged.

G. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. A contribution is recognized as income at the date the contribution is received or pledged.

Non-cash contributions of goods and materials are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone who possesses those skills, and would have to be purchased by the organization if not donated.

H. Income Taxes

The Foundation is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private organization. The Foundation is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code and registered with the California Attorney General as a charity.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation did not have any net unrelated business income for the year ended June 30, 2015. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements. The Foundation's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

I. Property and Equipment

The Foundation has not adopted a policy to capitalize asset purchases in conformance with generally accepted accounting principles because the Foundation does not own, nor does it have plans to acquire, property or equipment of significant value. The property and equipment used by the Foundation in its operations is owned by the District.

J. 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.

K. Cash and Cash Equivalents

The Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

L. Investments

The Foundation's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Changes in fair value are recorded in the accompanying statement of activities as investment income.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2015

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

M. Fair Value Hierarchy

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. |
| Level 2 | Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2015, consist of amounts held in non-interest bearing checking, savings, and money market accounts totaling \$1,071,617.

Cash in Bank

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a policy for custodial credit risk of deposits. As of June 30, 2015, the Foundation had deposits of \$821,617 subject to custodial risk.

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 3 – INVESTMENTS

During the year ended June 30, 2015, the Foundation had \$675,940 in investments.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 consists of pledges and accrued program income totaling \$0.

NOTE 5 – ENDOWMENT

In May 2008, the California Community Colleges Scholarship Endowment (the “Endowment”) was launched via a gift of \$25 million from The Bernard Osher Foundation to the Foundation for California Community Colleges (the “FCCC”). The FCCC and California’s community colleges were challenged with raising an additional \$50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to \$25 million. The purpose of the Endowment is to provide scholarships for students in California’s community college system.

Based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation, all of the funds in the Endowment, regardless of source, are assets of the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at Grossmont College and Cuyamaca College, and the attributable earnings. As of June 30, 2015, the Foundation’s beneficial interest in the Endowment totaled \$977,570. - (see note 6).

The Foundation’s Board of Directors interprets 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 gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. In relation to the Endowment, the interpretation extends to the earnings on the fund, less distributions for scholarships made in conformance with the aforementioned agreements as determined by the FCCC. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the contribution, and (b) the earnings on less allowable distributions and fees. The distributions are recognized as income upon receipt of notification from the FCCC as the amount and date of scheduled distributions and classified as temporarily restricted investment income.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of assets measured on a recurring basis as of June 30, 2015 is as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 675,940	\$ 675,940	\$ 675,940	\$ -	\$ -
Beneficial interest in CCCS endowment	977,570	977,570	-	-	977,570
Total	\$ 1,653,510	\$ 1,653,510	\$ 675,940	\$ -	\$ 977,570

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Beneficial Interest in CCCS Endowment

The Foundation classifies its agreement with the FCCC as an irrevocable split interest agreement and the CCCS Endowment as perpetual trust held at the FCCC. The Foundation's beneficial interest in the CCCS Endowment is required to be measured on a recurring basis at fair value. Generally accepted accounting principles indicate that the fair value of the beneficial interest can be approximated by the fair value of the portion of the CCCS Endowment upon which the Foundation has an irrevocable beneficial interest, unless specific circumstances indicate otherwise. The Foundation's Board of Directors believes that no such circumstances exist. Measurement of the Foundation's beneficial interest in the CCCS Endowment is a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair value of assets held at the FCCC, the Foundation will never receive those assets or have the ability to direct the FCCC to redeem them.

NOTE 7 – NET ASSETS

Unrestricted Net Assets

Unrestricted net assets as of June 30, 2015 are \$126,047.

Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 consist of \$1,557,510 held in multiple named scholarship and/or program support funds.

Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2015 include the Foundation's interest in the CCCS endowment of \$977,570 (see note 5).

FOUNDATION FOR GROSSMONT AND CUYAMACA COLLEGES
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2015

NOTE 8 – RELATED PARTIES

As described in Note 1, the Foundation's purpose is to support the students and programs of Grossmont College and Cuyamaca College; therefore, transactions between the Foundation and the District, and other affiliate agencies of 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. In addition, the District pays costs for some of the Foundation's staff and contractors. In fiscal year ended June 30, 2015, the Foundation has recognized the coverage of some of these expenses by the District as non-cash contributions in these financial statements.

The Foundation is governed by a Board of Directors separate from that of the District Trustees; however, the College Presidents are ex-officio members of the Foundation's Board of Directors and the Board may include other District, college, or affiliate personnel from time to time.

Effective July 1, 2011 the Foundation contracted with Grossmont-Cuyamaca Community College District Auxiliary Organization (the "Auxiliary") for administrative support services. The Auxiliary maintains separate accounting records for the Foundation.

Grossmont College Foundation and Cuyamaca College Foundation effectively ceased separate operations on June 30, 2011.

NOTE 9 – SUBSEQUENT EVENTS

The Foundation's management has evaluated subsequent events for the period from June 30, 2015 through November 4, 2015, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.