

**San Diego  
Community College  
Auxiliary Organization**

San Diego, California

***Financial Statements and  
Independent Auditors' Report***

*For the years ended June 30, 2012 and 2011*



# San Diego Community College Auxiliary Organization

## TABLE OF CONTENTS

	<u>Page</u>
GENERAL INFORMATION.....	i
INDEPENDENT AUDITORS' REPORT .....	1
Management's Discussion and Analysis (Required Supplementary Information) .....	3
<b><u>FINANCIAL STATEMENTS:</u></b>	
Statements of Net Assets.....	8
Statements of Revenues, Expenses and Changes in Net Assets.....	9
Statements of Cash Flows .....	10
Notes to Basic Financial Statements .....	11
<b>Independent Auditors' Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	17
Schedule of Findings and Questioned Costs .....	19

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**SAN DIEGO COMMUNITY COLLEGE  
AUXILIARY ORGANIZATION  
June 30, 2012**

**PURPOSE**

The San Diego Community College Auxiliary Organization was formed in 1990 to promote and assist the programs of the San Diego Community College District in accordance with the mission, policies and priorities of the District as administered by the District Chancellor.

**BOARD OF DIRECTORS**

Dr. Terrence Burgess	Chair, President, City College
Ken Kuniyuki	Vice Chair, Academic Senate Representative, Mesa College
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Vacant	Student Trustee Representative

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the San Diego Community College Auxiliary Organization  
San Diego, California

We have audited the accompanying Statement of Net Assets of the San Diego Community College Auxiliary Organization (the "Organization"), a component unit of the San Diego Community College District (the "District"), a not-for-profit organization, as of June 30, 2012, and the related Statements of Revenues, Expenses and Changes in Net Assets and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Organization's 2011 financial statements were audited by other auditors whose report dated November 30, 2011 expressed an unqualified opinion on those financial statements.

We conducted our audit 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. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors  
of the San Diego Community College Auxiliary Organization  
San Diego, California  
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Ron Mc Geady LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California  
November 20, 2012



**San Diego Community College Auxiliary Organization**  
**Management's Discussion & Analysis**  
**June 30, 2012**

This section of the San Diego Community College Auxiliary Organization's (Organization) financial statements present the analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

The Organization is comprised of two distinct operations. The Organization's general operations are supported by distributions from the Organization's endowment trust. These funds are used for District and campus support activities. The Organization's Employee Training Institute (ETi) is an enterprise operation that generates revenues from offering training, fiscal agent, and contract education in the San Diego region. All expenses incurred by ETi must be covered by ETi generated income. The Organization's performance is judged solely on these two activities.

### **FINANCIAL HIGHLIGHTS**

- The Organization's net assets increased \$656,131 or 146% during the course of the fiscal year ended June 30, 2012.
- There was a net gain of \$656,131 in this fiscal year compared to a net loss of \$45,113 in the prior year.
- Cash at year end showed an increase of \$86,525; total asset increase from the prior year is \$50,407.
- The Organization's accrued liabilities increased by \$347 or 2% and accounts payable decreased by \$34,313 or 25%.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The component unit financial statements include the Independent Auditors' Report, Management's Discussion and Analysis (MD&A) and financial statements with accompanying notes.

Operating activities and non-operating activities are presented separately on the Statement of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows are presented using the direct method.

### **REQUIRED FINANCIAL STATEMENTS**

The financial statements of the Organization report information about the Organization using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The *Statements of Net Assets* include all of the Organization's assets and liabilities for the year ended June 30, 2012, and provide information about the nature and amounts of investments in resources (assets) and the obligation to the Organization's creditors (liabilities). They also provide the basis for computing rates of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the Organization.

**San Diego Community College Auxiliary Organization**  
**Management's Discussion & Analysis**  
**June 30, 2012**

The *Statements of Revenues, Expenses and Changes in Net Assets* account for all of the Organization's revenues and expenses for the year ended June 30, 2012. These statements reflect the results of the Organization's operations over the years identified and can be used to determine the Organization's credit worthiness and its ability to successfully recover all its costs through service fees and other charges.

The *Statements of Cash Flows* are required to provide information about the Organization's cash receipts and cash payments during the year ended June 30, 2012. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities; and provide answers to the questions of where cash came from, what cash was used for and what the changes in cash were for the reporting periods covered.

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

The following analysis focuses on the Organization's net assets (Table 1) and changes in net assets (Table 2) during the years ended June 30:

Table 1  
Condensed Statement of Net Assets

	2012	2011	\$ Variance	% Variance
<b>ASSETS</b>				
Cash and investments	\$ 1,411,593	\$ 1,311,516	\$ 100,077	7.63%
Other current assets	48,031	97,701	(49,670)	-50.84%
<b>Total assets</b>	<b>1,459,624</b>	<b>1,409,217</b>	<b>50,407</b>	<b>3.58%</b>
<b>LIABILITIES</b>				
Current liabilities	352,647	958,371	(605,724)	-63.20%
<b>Total liabilities</b>	<b>352,647</b>	<b>958,371</b>	<b>(605,724)</b>	<b>-63.20%</b>
<b>NET ASSETS</b>				
Unrestricted	1,106,977	450,846	656,131	145.53%
<b>Total net assets</b>	<b>\$ 1,106,977</b>	<b>\$ 450,846</b>	<b>\$ 656,131</b>	<b>145.53%</b>

There are notable increases in assets and decreases in liabilities. Under the accrual basis of accounting, expenses are recognized in the period in which they occur regardless of whether or not cash has been disbursed. Overall operating results for the year show an increase to net assets of 145.53%.

**San Diego Community College Auxiliary Organization  
Management's Discussion & Analysis  
June 30, 2012**

Table 2  
Condensed Statement of Activities and Changes in Net Assets

	2012	2011	\$ Variance	% Variance
Revenues, gains and support	\$ 744,290	\$ 983,552	\$ (239,262)	-24.33%
Expenditures	1,042,019	1,259,196	(217,177)	-17.25%
Deficit before non-operating income	(297,729)	(275,644)	(22,085)	-8.01%
Endowment trust income	938,894	214,765	724,129	337.17%
Income from investments	14,966	15,766	(800)	-5.07%
Changes in net assets	656,131	(45,113)	701,244	1554.42%
Beginning net assets	450,846	495,959	(45,113)	-9.10%
Ending net assets	\$ 1,106,977	\$ 450,846	\$ 656,131	145.53%

The Auxiliary realized a net gain of \$656,131. Revenue increased while expenses decreased. Income from investments decreased 5%. The increase in net income is attributed to the activities of General Operations, since there was an increase in Endowment Trust income.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Over the course of the next year, it is important to note the following key factor in the Organization's operation:

- ETi operations will transfer to the Continuing Education Foundation once the Foundation receives official notification from state and federal agencies regarding the Foundation's tax-exempt status. This transfer is scheduled to occur during fiscal year 2013.

**CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT**

This financial report was designed to provide a general overview of the Organization's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Vice Chancellor, Business and Technology Services, San Diego Community College District, 3375 Camino del Rio South, Room 210, San Diego, CA 92108.

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## **FINANCIAL STATEMENTS**

**San Diego Community College Auxiliary Organization**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

	2012			2011		
	General	Enterprise	Total	General	Enterprise	Total
	Operating Fund	Activity Fund		Operating Fund	Activity Fund	
<b>ASSETS</b>						
Cash	\$ 769,631	\$ -	\$ 769,631	\$ 683,106	\$ -	\$ 683,106
Investments	641,962	-	641,962	628,410	-	628,410
Accounts receivable	501	38,027	38,528	739	88,785	89,524
Due from other funds	-	3,327	3,327	228	-	228
Deposits and prepaid items	1,737	4,439	6,176	1,589	6,360	7,949
<b>Total assets</b>	<b>1,413,831</b>	<b>45,793</b>	<b>1,459,624</b>	<b>1,314,072</b>	<b>95,145</b>	<b>1,409,217</b>
<b>LIABILITIES</b>						
Accounts payable	79,649	23,259	102,908	79,290	57,931	137,221
Accrued liabilities	-	16,317	16,317	-	15,970	15,970
Due to other funds	3,327	-	3,327	-	228	228
Deposits held for others	201,790	98	201,888	246,268	22	246,290
Deferred revenues	22,088	6,119	28,207	537,668	20,994	558,662
<b>Total liabilities</b>	<b>306,854</b>	<b>45,793</b>	<b>352,647</b>	<b>863,226</b>	<b>95,145</b>	<b>958,371</b>
<b>NET ASSETS</b>						
Unrestricted	1,106,977	-	1,106,977	450,846	-	450,846
<b>Total net assets</b>	<b>\$ 1,106,977</b>	<b>\$ -</b>	<b>\$ 1,106,977</b>	<b>\$ 450,846</b>	<b>\$ -</b>	<b>\$ 450,846</b>

See accompanying notes to financial statements.

**San Diego Community College Auxiliary Organization**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the years ended June 30, 2012 and 2011**

	2012			2011		
	General	Enterprise	Total	General	Enterprise	Total
	Operating Fund	Activity Fund		Operating Fund	Activity Fund	
<b>OPERATING REVENUES:</b>						
Project income	\$ -	\$ 721,108	\$ 721,108	\$ -	\$ 965,269	\$ 965,269
Other income	23,182	-	23,182	17,950	333	18,283
<b>Total operating revenues</b>	<b>23,182</b>	<b>721,108</b>	<b>744,290</b>	<b>17,950</b>	<b>965,602</b>	<b>983,552</b>
<b>OPERATING EXPENSES:</b>						
Salaries and wages	-	432,560	432,560	-	506,439	506,439
Contract services and operating expenses	35,217	149,038	184,255	33,757	213,671	247,428
Employee benefits and payroll taxes	-	119,358	119,358	-	134,331	134,331
District, campus and support	285,456	15,347	300,803	259,282	73,992	333,274
Supplies, materials and minor equipment	238	4,805	5,043	555	37,169	37,724
<b>Total expenses</b>	<b>320,911</b>	<b>721,108</b>	<b>1,042,019</b>	<b>293,594</b>	<b>965,602</b>	<b>1,259,196</b>
<b>Operating income (loss)</b>	<b>(297,729)</b>	<b>-</b>	<b>(297,729)</b>	<b>(275,644)</b>	<b>-</b>	<b>(275,644)</b>
<b>NONOPERATING INCOME:</b>						
Endowment trust income	938,894	-	938,894	214,765	-	214,765
Income from investments:						
Interest	14,966	-	14,966	15,766	-	15,766
<b>Total nonoperating income</b>	<b>953,860</b>	<b>-</b>	<b>953,860</b>	<b>230,531</b>	<b>-</b>	<b>230,531</b>
<b>Change in net assets</b>	<b>656,131</b>	<b>-</b>	<b>656,131</b>	<b>(45,113)</b>	<b>-</b>	<b>(45,113)</b>
<b>NET ASSETS:</b>						
Beginning of year	450,846	-	450,846	495,959	-	495,959
End of year	<b>\$ 1,106,977</b>	<b>\$ -</b>	<b>\$ 1,106,977</b>	<b>\$ 450,846</b>	<b>\$ -</b>	<b>\$ 450,846</b>

See accompanying notes to financial statements.

**San Diego Community College Auxiliary Organization**  
**Statements of Cash Flows**  
**For the years ended June 30, 2012 and 2011**

	2012			2011		
	General	Enterprise	Total	General	Enterprise	Total
	Operating Fund	Activity Fund		Operating Fund	Activity Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Project charges	\$ -	\$ 753,436	\$ 753,436	\$ -	\$ 1,046,609	\$ 1,046,609
Other operating receipts	(488,605)	-	(488,605)	499,185	-	499,185
Cash paid to employees	-	(551,571)	(551,571)	-	(690,885)	(690,885)
Cash received from (paid to) others	(44,478)	76	(44,402)	(61,985)	(217)	(62,202)
Cash paid to suppliers	(35,603)	(186,594)	(222,197)	(34,447)	(281,515)	(315,962)
Cash support provided to district and campuses	(285,097)	(15,347)	(300,444)	(256,034)	(73,992)	(330,026)
<b>Net cash provided (used) by operating activities</b>	<b>(853,783)</b>	<b>-</b>	<b>(853,783)</b>	<b>146,719</b>	<b>-</b>	<b>146,719</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Endowment trust income	938,894	-	938,894	214,765	-	214,765
Investment income	1,414	-	1,414	3,315	-	3,315
<b>Net cash provided (used) by investing activities</b>	<b>940,308</b>	<b>-</b>	<b>940,308</b>	<b>218,080</b>	<b>-</b>	<b>218,080</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>86,525</b>	<b>-</b>	<b>86,525</b>	<b>364,799</b>	<b>-</b>	<b>364,799</b>
<b>CASH AND CASH EQUIVALENTS:</b>						
Beginning of year	683,106	-	683,106	318,307	-	318,307
End of year	<b>\$ 769,631</b>	<b>\$ -</b>	<b>\$ 769,631</b>	<b>\$ 683,106</b>	<b>\$ -</b>	<b>\$ 683,106</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Net change in operating income (loss)	\$ (297,729)	\$ -	\$ (297,729)	\$ (275,644)	\$ -	\$ (275,644)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
(Increase) decrease in:						
Accounts receivable	238	50,758	50,996	(489)	26,547	26,058
Due from other funds	228	(3,327)	(3,099)	(228)	40,766	40,538
Deposits and prepaids	(148)	1,921	1,773	(135)	(6,360)	(6,495)
Increase (decrease) in:						
Accounts payable	359	(34,672)	(34,313)	3,248	(24,315)	(21,067)
Accrued liabilities	-	347	347	-	(50,115)	(50,115)
Due to other funds	3,327	(228)	3,099	(40,766)	228	(40,538)
Deposits held for others	(44,478)	76	(44,402)	(61,985)	(217)	(62,202)
Deferred revenues	(515,580)	(14,875)	(530,455)	522,718	13,466	536,184
<b>Net cash provided (used) by operating activities</b>	<b>\$ (853,783)</b>	<b>\$ -</b>	<b>\$ (853,783)</b>	<b>\$ 146,719</b>	<b>\$ -</b>	<b>\$ 146,719</b>

See accompanying notes to financial statements.



**San Diego Community College Auxiliary Organization**  
**Notes to Financial Statements**  
**For the years ended June 30, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the San Diego Community College Auxiliary Organization (the "Organization") have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies are described below.

***A. Description of the Reporting Entity***

The Organization was formed pursuant to the general not-for-profit corporation laws of the State of California as an auxiliary organization of the San Diego Community College District (the "District") in accordance with the provisions of §72670 of the California Education Code for the primary purpose of promoting and assisting the programs of the District. The Organization also provides fee based training and education programs for various public and private agencies.

The Organization has its own Board of Directors composed of District faculty and administrators; however, the District maintains oversight responsibility for the Organization as carried out by the District Chancellor in accordance with the provisions of §72670 of the California Education Code. Since the District significantly influences its operations, the Organization's financial statements are included in the District's financial statements as a blended component unit. Should the Organization be dissolved, its assets remaining after payment of liabilities shall be distributed to the District.

***B. Basis of Accounting and Measurement Focus***

**Financial Statements**

The Organization's Financial Statements include a Statement of Net Assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which they are incurred. The Organization presented the following funds:

**General Operating Fund** - Transactions that are not covered in a specific fund and relate in general to the full scope of operations of the Organization are presented in the general operating fund. Revenue includes endowment trust income allocations, investment income and administrative fee from fiduciary (trust) fund maintenance.

**Enterprise Activity Fund** - Revenue and expenditures of the revenue-producing activities, primarily activities of the Employee Training Institute, are presented in the enterprise activity fund.

**San Diego Community College Auxiliary Organization**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**Financial Statements, Continued**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

***C. Income Taxes***

The Organization is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code except for net income from unrelated business income. The Organization is also exempt from state income taxes under provisions of Section 23701d of the State of California Franchise Tax Board except for net income from unrelated business income.

Effective July 1, 2009, the Organization adopted newly issued guidance on *Accounting for Uncertainty in Income Taxes*. Under this guidance, the Organization utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

As a result of the adoption of *Accounting for Uncertainty in Income Taxes*, the Organization did not recognize an increase or decrease in the liability for unrecognized tax benefits related to tax positions taken in prior periods; therefore, there was no corresponding adjustment to unrestricted net assets. Additionally, for the year ended June 30, 2012, there were no additional liabilities recorded for unrecognized tax benefits related to tax positions taken in the current year. The Organization considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes.

There were no accruals for interest and penalties related to uncertain tax positions at the inception date or for the year ended June 30, 2012.

**San Diego Community College Auxiliary Organization**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*C. Income Taxes, Continued*

The Organization has determined that its major tax jurisdictions are the United States and California. The tax years of 2008 through 2012 remain open and subject to examination by the appropriate governmental agencies in the United States or California. Penalties and interest, if any, will be recorded as general and administrative costs in the period assessed.

*D. Cash and Cash Equivalents*

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

*E. Investments*

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is considered as fair value for those securities for which market quotations are readily available. The Organization reported its investments at fair value.

*F. Endowment Trust Income*

As of June 30, 2012, the District transferred all of the San Diego Community College District Endowment Trust funds to the San Diego Foundation. The Trust funds were valued at approximately \$20,535, 376 and \$21,098,307 as of June 30, 2012 and 2011, respectively. The Organization receives distributions throughout the year from the San Diego Community College District Endowment Trust in accordance with the San Diego Foundation's investment and distribution policies.

The Foundation's investment policy is to invest endowment funds in a diversified portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by the Foundation through a competitive process. The investment performance of each money manager is monitored by an independent investment consultant retained by the Foundation.

The Foundation's distribution allocation policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of the contributions made to Endowment Principal, then distributions will be limited only to interest and dividends received. The Organization may request and receive distributions from the San Diego Foundation in accordance with the Foundation's current spending policy throughout the year as requested by the Secretary/Treasurer of the Organization.

**San Diego Community College Auxiliary Organization**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**

**G. Use of Estimates**

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

**2. CASH AND INVESTMENTS**

**A. Cash and Cash Equivalents**

At June 30, 2012, and 2011 the carrying amounts of the Organization's cash and cash equivalents, net of outstanding checks, were \$769,631 and \$683,106, respectively, while the related total bank balances, per the financial institutions, were \$811,475 and \$737,544, respectively. At June 30, 2012 the Organization's noninterest-bearing transaction account was fully insured by the National Credit Union Administration in the amount of \$627,025 as well as the balance of \$184,450. At June 30, 2012 and June 30, 2011, there were no uninsured funds. Total cash and investments at June 30 were as follows:

	2012	2011
Cash	\$ 769,631	\$ 683,106

**B. Investments**

The Organization had the following investments at June 30:

	2012 Fair Value	2011 Fair Value
Annuity	\$ 9,504	\$ 10,560
Certificates of Deposit	632,458	617,850
<b>Total</b>	<b>\$ 641,962</b>	<b>\$ 628,410</b>

Credit Risk

The Organization's investments are not rated by the nationally recognized statistical rating organizations as follows:

	Moody's	Standard & Poor's
Annuity	Not Rated	Not Rated
Certificates of Deposit	Not Rated	Not Rated

**San Diego Community College Auxiliary Organization**  
**Notes to Financial Statements, Continued**  
**For the years ended June 30, 2012 and 2011**

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30:

	2012	2011
San Diego Unified School District	\$ 1,712	\$ 16,627
Other public and private agencies	36,816	72,897
<b>Total receivable</b>	<b>\$ 38,528</b>	<b>\$ 89,524</b>

**4. RELATED PARTY TRANSACTIONS**

The Organization's administrative functions are shared by employees of the District. Donations may be made by the Organization's Board members and employees of the District.

**5. RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; job-related illnesses or injuries to employees; and natural disasters. For workers' compensation, the Organization purchases insurance through State Fund. For general liabilities, the Organization is covered under the District's self-insurance program.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
of the San Diego Community College Auxiliary Organization  
San Diego, California

We have audited the financial statements of the San Diego Community College Auxiliary Organization (the "Organization"), a component unit of the San Diego Community College District (the "District") and a not-for-profit organization, as of and for the year ended June 30, 2012 and have issued our report thereon dated November 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors  
of the San Diego Community College Auxiliary Organization  
San Diego, California  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of the Board of Directors, the Organization management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rick Mc Geady" followed by "LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California  
November 20, 2012



**San Diego Community College Auxiliary Organization  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2012**

There were no findings or questioned costs related to the audit of the San Diego Community College District Auxiliary Organization Fund for the year ended June 30, 2012.