

**SAN DIEGO COMMUNITY COLLEGE  
AUXILIARY ORGANIZATION**

**BASIC FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT**

**FOR THE PERIOD ENDED  
JUNE 30, 2013**



**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
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**JUNE 30, 2013**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

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*Licensed by the California  
State Board of Accountancy*

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

We have audited the accompanying financial statements of the San Diego Community College Auxiliary Organization ("Organization") which comprise the statement of financial position, and the related statements of activities, functional expenses and cash flows for the year ended June 30, 2013, 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Community College Auxiliary Organization as of June 30, 2013, 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.

*Christy White Associates*

San Diego, California  
November 6, 2013

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013**

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	<u>June 30, 2013</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 506,914
Investments	612,020
Accounts receivable	47,091
Due from other funds	11,118
Deposits and prepaid items	<u>-</u>
<b>Total Assets</b>	<b><u>1,177,143</u></b>
 <b>LIABILITIES AND NET ASSETS</b>	
Liabilities	
Accounts payable	\$ 143,858
Accrued liabilities	43,523
Due to other funds	11,118
Deposits held for others	174,887
Deferred Revenues	<u>22,706</u>
Total liabilities	<b><u>396,092</u></b>
Net assets	
Unrestricted	<u>781,051</u>
Total net assets	<b><u>781,051</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,177,143</u></b>

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

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD ENDED JUNE 30, 2013**

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	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Project income	\$ -	\$ 448,884	\$ 448,884
Net investment income	14,717	-	14,717
Endowment trust income	91,797	-	91,797
Other income	33,718	-	33,718
Net assets released from restrictions	448,884	(448,884)	-
<b>Total Support and Revenues</b>	<b>589,116</b>	<b>-</b>	<b>589,116</b>
<b>EXPENSES</b>			
Program and services	781,378	-	781,378
Management and general	133,664	-	133,664
<b>Total Expenses</b>	<b>915,042</b>	<b>-</b>	<b>915,042</b>
<b>CHANGE IN NET ASSETS</b>	<b>(325,926)</b>	<b>-</b>	<b>(325,926)</b>
<b>Net Assets - Beginning</b>	<b>1,106,977</b>	<b>-</b>	<b>1,106,977</b>
<b>Net Assets - Ending</b>	<b>\$ 781,051</b>	<b>\$ -</b>	<b>781,051</b>

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

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 FOR THE PERIOD ENDED JUNE 30, 2013**

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	For the period ended June 30, 2013		
	Program Services	Management and General	Total
<b>EXPENSES</b>			
Salaries and benefits	\$ 312,663	\$ 62,849	\$ 375,512
Contract services and operating expenses	39,808	69,842	109,650
District, campus and support	422,382	-	422,382
Supplies and materials	6,525	973	7,498
<b>Total Expenses</b>	<b>\$ 781,378</b>	<b>\$ 133,664</b>	<b>\$ 915,042</b>

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



**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION  
 STATEMENTS OF CASH FLOWS  
 FOR THE PERIOD ENDED JUNE 30, 2013**

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	Period ended June 30, 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (325,926)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
	-
(Increase) decrease in operating assets	
Accounts receivable	(8,563)
Due from other funds	(7,791)
Deposits and prepaid items	6,176
Increase (decrease) in operating liabilities	
Accounts payable	40,950
Accrued liabilities	27,206
Due to other funds	7,791
Deposits held for others	(27,001)
Deferred Revenues	(5,501)
<b>Net cash provided by (used in) operating activities</b>	<u>(292,659)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	
Sale of investments	29,942
<b>Net cash provided by (used in) investing activities</b>	<u>29,942</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(262,717)
<b>Cash and cash equivalents - Beginning</b>	<u>769,631</u>
<b>Cash and cash equivalents - Ending</b>	<u>\$ 506,914</u>

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

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The San Diego Community College Auxiliary Organization (the “Organization”), was formed as a California nonprofit public benefit corporation in 1990 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 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. 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, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

**C. 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.

**D. Basis of Accounting**

The Organization’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.

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Financial Statement Presentation**

The Organization 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 Organization in accordance with its Bylaws. Temporarily or permanently restricted net assets are restricted by the donor or as matter of law. Temporarily restricted net assets are only expendable for the purposes specified by the donor or though 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 organization to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged.

**F. 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.

**G. Income Taxes**

The Organization 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 Organization is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code and is 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 Organization did not have any net unrelated business income for the period ended June 30, 2013. It is management's belief that the Organization does not hold any uncertain tax positions that would materially impact the financial statements. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2013

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (*continued*)

H. Cash and Cash Equivalents

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

I. Investments

The Organization's method of accounting for most investments is the fair value method. Fair value is determined by published quotes when they are readily available. Unrealized gains and losses are included in the accompanying statement of activities.

J. Capital Assets - Operations

The Organization has not adopted a policy to capitalize significant asset purchases in conformance with generally accepted accounting principles because the facilities and equipment used by the Organization for its operation is provided by the District.

K. 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 Organization prior to the incurrence of expenses. In subsequent periods, when both revenue recognition criteria are met or when the Organization has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

L. Refundable Advances

Contributions made to the Organization that are conditional upon the Organization's actions are recorded as refundable advance liabilities in conformance with generally accepted accounting principles. Once the conditions have been substantially met, the advance is recognized as contribution income.

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**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.

**N. Endowment Trust Income**

During 2012 the District transferred all of the Organization’s Endowment Trust funds to the San Diego Foundation. The Trust Funds were valued at \$22,790,356 as of June 30, 2013. 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 Organization’s investment policy is to invest endowment funds in a diversified portfolio, which is structured for a long-term total return. To provide diversification and to moderate risk, investments are divided into carefully defined asset classes.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2013 consists of the following:

	<u>June 30, 2013</u>
Checking	\$ 63,355
Savings and money market funds	443,559
<b>Total cash and cash equivalents</b>	<u>\$ 506,914</u>

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 2 – CASH AND CASH EQUIVALENTS (continued)**

**Cash in Bank**

Custodial credit risk is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to it. The Organization does not have a policy for custodial credit risk for deposits. The Organization’s deposits at California Coast Credit Union and San Diego County Credit Union, inclusive of all cash and cash equivalents, are federally insured by the National Credit Union Administration (“NCUA”). NCUA insures 100% of non-interest bearing accounts and up to \$250,000 per depositor of interest bearing accounts per insured credit union, which was in effect through December 31, 2012. The Organization’s deposits at CitiBank and Union Bank, inclusive of all cash and cash equivalents, are federally insured by the Federal Deposit Insurance Corporation. As of June 30, 2013, the Organization’s deposits were not exposed to custodial credit risk as deposits held in interest-bearing accounts did not exceed the \$250,000 insurance limit.

**NOTE 3 – INVESTMENTS**

The investments held in brokerage accounts, by type of investment, for the period ended June 30, 2013 are as follows:

	2013
Annuity	\$ 9,095
Certificates of deposit	602,925
Total investments	\$ 612,020

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013 are \$47,091.

The Organization has not historically had difficulty collecting amounts due, no allowance for uncollectible accounts has been recorded.

**NOTE 5 – FAIR VALUE MEASUREMENT**

Assets measured at fair value on recurring basis as of June 30, 2013 are as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Investments					
Annuity	\$ 9,095	\$ 9,095	\$ 9,095	\$ -	\$ -
Certificates of deposit	602,925	602,925	602,925	-	-
Total investments	\$ 612,020	\$ 612,020	\$ 612,020	\$ -	\$ -

**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2013**

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**NOTE 6 – NET ASSETS**

**Unrestricted Net Assets**

Unrestricted net assets consist of cash and investments available for use to the Organization in support of its mission to support the Colleges and District. The unrestricted net assets balance as of June 30, 2013 was \$781,051.

**NOTE 7 – RELATED PARTIES**

As described in Note 1, the Organization's purpose is to support the District's students and programs; therefore, transactions between the Organization, the Colleges, Continuing Education and the District are expected. Per the Organization's Bylaws, certain College, Continuing Education and District personnel serve as ex-officio members of the Organization's Board of Directors by virtue of their position at the College or District.

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events for the period from June 30, 2013 through November 6, 2013, 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.

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# **SUPPLEMENTARY SECTION**

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**SAN DIEGO COMMUNITY COLLEGE AUXILIARY ORGANIZATION  
ORGANIZATIONAL STRUCTURE  
JUNE 30, 2013**

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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**

Ken Kuniuki	Chair, Academic Senate Representative, Mesa College
Dr. Pamela Luster	Vice Chair, President, Mesa College
Dr. Bonnie Ann Dowd	Secretary/Treasurer, Executive Vice Chancellor, Business and Technology Services
Dr. Constance Carroll	Chancellor, San Diego Community College District
Dr. Terrence Burgess	President, City College
Dr. Anthony Beebe	President, Continuing Education
Dr. Patricia Hsieh	President, Miramar College
Dr. Otto Lee	Vice Chancellor, Instructional Services, Planning and Technology
Nancy Crispen	Academic Senate Representative, City College
Dr. Daphne Figueroa	Academic Senate President, Miramar College
Ingrid Greenberg	Academic Senate President, Continuing Education
Michael Shepard	Associated Student President, Miramar College