

San Diego Community College Auxiliary Organization

San Diego, California

*Basic Financial Statements and
Independent Auditors' Report*

For the years ended June 30, 2011 and 2010

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

San Diego Community College Auxiliary Organization

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**SAN DIEGO COMMUNITY COLLEGE
AUXILIARY ORGANIZATION
June 30, 2011**

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. Anthony Beebe	Chair, President, Continuing Education
Vacant	Vice Chair
Charles W. Rogers	Interim Secretary & Treasurer, Acting Executive Vice Chancellor, Business Services, Controller
Dr. Constance Carroll	Chancellor, San Diego Community College District
Dr. Terrence Burgess	President, City College
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Dr. Otto Lee	Vice Chancellor, Instructional Services, Planning and Technology
Nancy Crispin	Academic Senate Representative, City College
Cynthia Rico-Bravo	Academic Senate Representative, Mesa College
Daphne Figueroa	Academic Senate Representative, Miramar College
Esther Matthew	Academic Senate Representative, Continuing Education
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 statements of financial position of the San Diego Community College Auxiliary Organization (Organization), a component unit of the San Diego Community College District (District), a not-for-profit organization, as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years 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 audits.

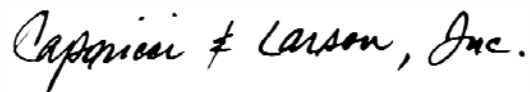
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
of the San Diego Community College Auxiliary Organization
San Diego, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, 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.

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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
November 30, 2011

San Diego Community College Auxiliary Organization

Management's Discussion & Analysis

June 30, 2011

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, 2011. 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 an annual allocation 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 accrued liabilities decreased by \$50,115 or 75.83% and accounts payable decreased by \$21,067 or 13.31%.
- Cash on hand at year end showed an increase of \$364,799; total asset increase from the prior year is \$317,149.
- The Organization's net assets decreased \$45,113 or 9.10% during the course of the fiscal year ended June 30, 2011.
- There was a net loss of \$45,113 from operations in this fiscal year compared to a net loss of \$94,794 in the prior year.

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 Activities 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, 2011, 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, 2011

The *Statements of Activities and Changes in Net Assets* account for all of the Organization's revenues and expenses for the years ended June 30, 2011 and 2010. 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, 2011 and 2010. 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, 2011 and 2010:

	2011	2010	\$ Variance	% Variance
ASSETS				
Cash and investments	\$ 1,311,516	\$ 934,266	\$ 377,250	40.38%
Other current assets	97,701	157,802	(60,101)	-38.09%
Total assets	1,409,217	1,092,068	317,149	29.04%
LIABILITIES				
Current liabilities	958,371	596,109	362,262	60.77%
Total liabilities	958,371	596,109	362,262	60.77%
NET ASSETS				
Unrestricted	450,846	495,959	(45,113)	-9.10%
Total net assets	\$ 450,846	\$ 495,959	\$ (45,113)	-9.10%

There are notable increases in assets and 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 a net decrease to net assets by 9.10%.

San Diego Community College Auxiliary Organization
Management's Discussion & Analysis
June 30, 2011

Table 2
Condensed Statement of Activities and Changes in Net Assets

	2011	2010	\$ Variance	% Variance
Revenues, gains and support	\$ 1,198,317	\$ 1,226,515	\$ (28,198)	-2.30%
Expenditures	1,259,196	1,340,808	(81,612)	-6.09%
Surplus before non-operating income	(60,879)	(114,293)	53,414	-46.73%
Income from investments	15,766	19,499	(3,733)	-19.14%
Changes in net assets	(45,113)	(94,794)	49,681	-52.41%
Beginning net assets	495,959	590,753	(94,794)	-16.05%
Ending net assets	\$ 450,846	\$ 495,959	\$ (45,113)	-9.10%

The Auxiliary realized a net operating loss of \$45,113. Both revenue and expenses decreased; however, expenses decreases outpaced revenue decreases. Income from investments decreased 19%. The decrease in net income is attributed to the activities of General Operations, since there was a decrease in Endowment Trust income. The assets of the Endowment were transferred to The San Diego Foundation in June 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

- Endowment Trust income for 2012 is expected to increase over 2011 due to a larger distribution from The San Diego Foundation.
- ETi operations have shown a slight increase, however during the 2012 operating year we expect the activity to decrease. This is mainly due to reductions in the fiscal agent programs with San Diego Unified School District and less demand for contract education classes.

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 Services, San Diego Community College District, 3375 Camino del Rio South, Room 210, San Diego, CA 92108.

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BASIC FINANCIAL STATEMENTS

San Diego Community College Auxiliary Organization
Statements of Net Assets
June 30, 2011 and 2010

	2011			2010		
	General	Enterprise	Total	General	Enterprise	Total
	Operating	Activity		Operating	Activity	
	Fund	Fund	Fund	Fund		
ASSETS						
Cash	\$ 683,106	\$ -	\$ 683,106	\$ 318,307	\$ -	\$ 318,307
Investments	628,410	-	628,410	615,959	-	615,959
Accounts receivable	739	88,785	89,524	250	115,332	115,582
Due from other funds	228	-	228	-	40,766	40,766
Deposits and prepaid items	1,589	6,360	7,949	1,454	-	1,454
Total assets	1,314,072	95,145	1,409,217	935,970	156,098	1,092,068
LIABILITIES						
Accounts payable	79,290	57,931	137,221	76,042	82,246	158,288
Accrued liabilities	-	15,970	15,970	-	66,085	66,085
Due to other funds	-	228	228	40,766	-	40,766
Deposits held for others	246,268	22	246,290	308,253	239	308,492
Deferred revenues	537,668	20,994	558,662	14,950	7,528	22,478
Total liabilities	863,226	95,145	958,371	440,011	156,098	596,109
NET ASSETS						
Unrestricted	450,846	-	450,846	495,959	-	495,959
Total net assets	\$ 450,846	\$ -	\$ 450,846	\$ 495,959	\$ -	\$ 495,959

See accompanying notes to basic financial statements.

San Diego Community College Auxiliary Organization
Statements of Activities and Changes in Net Assets
For the years ended June 30, 2011 and 2010

	2011			2010		
	General	Enterprise	Total	General	Enterprise	Total
	Operating	Activity		Operating	Activity	
Fund	Fund		Fund	Fund		
REVENUES, GAINS AND SUPPORT:						
Project income	\$ -	\$ 965,269	\$ 965,269	\$ -	\$ 922,322	\$ 922,322
Endowment trust income	214,765	-	214,765	280,348	-	280,348
Income from investments:						
Interest	15,766	-	15,766	19,499	-	19,499
Dividends	-	-	-	-	-	-
Other income	17,950	333	18,283	23,748	97	23,845
Total revenue, gains and support	248,481	965,602	1,214,083	323,595	922,419	1,246,014
EXPENDITURES AND DEDUCTIONS:						
Salaries and wages	-	506,439	506,439	838	514,277	515,115
Contract services and operating expenses	33,757	213,671	247,428	40,299	203,323	243,622
Employee benefits and payroll taxes	-	134,331	134,331	126	126,526	126,652
District, campus and support	259,282	73,992	333,274	376,798	47,834	424,632
Supplies, materials and minor equipment	555	37,169	37,724	328	30,459	30,787
Total expenditures and deductions	293,594	965,602	1,259,196	418,389	922,419	1,340,808
Change in net assets	(45,113)	-	(45,113)	(94,794)	-	(94,794)
NET ASSETS:						
Beginning of year	495,959	-	495,959	590,753	-	590,753
End of year	\$ 450,846	\$ -	\$ 450,846	\$ 495,959	\$ -	\$ 495,959

See accompanying notes to basic financial statements.

San Diego Community College Auxiliary Organization
Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	2011			2010		
	General	Enterprise	Total	General	Enterprise	Total
	Operating	Activity		Operating	Activity	
Fund	Fund		Fund	Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Project charges	\$ -	\$ 1,046,609	\$ 1,046,609	\$ -	\$ 1,067,313	\$ 1,067,313
Endowment trust income and other operating receipts	729,716	-	729,716	398,379	-	398,379
Cash paid to employees	-	(690,885)	(690,885)	(2,151)	(655,326)	(657,477)
Cash received from (paid to) others	(61,985)	(217)	(62,202)	(148,209)	152	(148,057)
Cash paid to suppliers	(34,447)	(281,515)	(315,962)	(40,093)	(364,305)	(404,398)
Cash support provided to district and campuses	(256,034)	(73,992)	(330,026)	(357,407)	(47,834)	(405,241)
Net cash provided (used) by operating activities	377,250	-	377,250	(149,481)	-	(149,481)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income	(12,451)	-	(12,451)	51,851	-	51,851
Net cash provided (used) by investing activities	(12,451)	-	(12,451)	51,851	-	51,851
Net increase (decrease) in cash	364,799	-	364,799	(97,630)	-	(97,630)
CASH:						
Beginning of year	318,307	-	318,307	415,937	-	415,937
End of year	\$ 683,106	\$ -	\$ 683,106	\$ 318,307	\$ -	\$ 318,307
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Revenues, gains and support over (under) expenditures and deductions	\$ (45,113)	\$ -	\$ (45,113)	\$ (94,794)	\$ -	\$ (94,794)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:						
(Increase) decrease in:						
Accounts receivable	(489)	26,547	26,058	-	226,659	226,659
Due from other funds	(228)	40,766	40,538	39,816	(40,766)	(950)
Deposits and prepaid expenses	(135)	(6,360)	(6,495)	534	-	534
Increase (decrease) in:						
Accounts payable	3,248	(24,315)	(21,067)	19,391	(130,523)	(111,132)
Accrued liabilities	-	(50,115)	(50,115)	(1,187)	(14,523)	(15,710)
Due to other funds	(40,766)	228	(40,538)	40,766	(39,816)	950
Deposits held for others	(61,985)	(217)	(62,202)	(148,209)	152	(148,057)
Deferred revenues	522,718	13,466	536,184	(5,798)	(1,183)	(6,981)
Net cash provided (used) by operating activities	\$ 377,250	\$ -	\$ 377,250	\$ (149,481)	\$ -	\$ (149,481)

See accompanying notes to basic financial statements.

San Diego Community College Auxiliary Organization

Notes to Basic Financial Statements

For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the San Diego Community College Auxiliary Organization (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 (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.

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.

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the State of California Franchise Tax Board, the Organization is exempt from income taxes, except for net income from unrelated business income. The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3).

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, 2011, 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, 2011.

The Organization has determined that its major tax jurisdictions are the United States and California. The tax years of 2008 through 2011 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.

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, 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

The Organization receives an annual allocation as beneficiary of fifty percent of the annual earnings of the San Diego Community College District Endowment Trust valued at approximately \$9,307 and \$18,742,125 as of June 30, 2011 and 2010, respectively. The Trust is managed by a bank and reviewed by an independent advisory council appointed by the District Board of Trustees. The District has determined that the trust does not meet the criteria regarding financial accountability of the District and, as such, in June of 2011, \$21,089,000 was transferred to the San Diego Foundation. The Organization will begin to receive disbursements again in July 2012.

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.

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

2. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

At June 30, 2011, and 2010 the carrying amounts of the Organization's cash and cash equivalents, net of outstanding checks, were \$683,106 and \$318,307, respectively, while the related total bank balances, per the financial institutions, were \$737,544 and \$348,958, respectively. At June 30, 2011 the Organization's noninterest-bearing transaction account was fully insured by the National Credit Union Administration in the amount of \$491,025 as well as the balance of \$246,519. At June 30, 2011 there were no uninsured funds. At June 30, 2010 the bank balance per the financial institution, \$250,000 was covered by federal depository insurance and \$103,207 was uninsured. Total cash and investments at June 30 were as follows:

	2011	2010
Cash	<u>\$ 683,106</u>	<u>\$ 318,307</u>

B. Investments

The Organization had the following investments at June 30:

Investment Type	2011 Fair Value	2010 Fair Value
Annuity	\$ 10,560	\$ 9,715
Certificates of Deposit	<u>617,850</u>	<u>606,244</u>
Total	<u>\$ 628,410</u>	<u>\$ 615,959</u>

Credit Risk

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

	<u>Moody's</u>	<u>Standard & Poor's</u>
Annuity	Not Rated	Not Rated
Certificates of Deposit	Not Rated	Not Rated

San Diego Community College Auxiliary Organization
Notes to Basic Financial Statements, Continued
For the years ended June 30, 2011 and 2010

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2011	2010
San Diego Unified School District	\$ 16,627	\$ 61,211
Other public and private agencies	72,897	54,371
Total receivable	\$ 89,524	\$ 115,582

4. RELATED PARTY TRANSACTIONS

The Organization's administrative functions are shared by employees of the District. Donations are 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.

6. SUBSEQUENT EVENT

The Organization has evaluated all events and transactions that occurred after June 30, 2011, and through November 30, 2011, the date of the financial statements and accompanying notes to the financial statements were available to be used. During the period, no events or transactions occurred that would require adjustment to the financial statements or disclosure in the accompanying notes.

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Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**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 basic financial statements of the San Diego Community College Auxiliary Organization (Organization), a component unit of the San Diego Community College District (District) and a not-for-profit organization, as of and for the year ended June 30, 2011 and have issued our report thereon dated November 30, 2011. 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
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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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
November 30, 2011

San Diego Community College District Auxiliary Organization
Schedule of Findings and Questioned Costs
For the year ended June 30, 2011

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, 2011.