

STATE CENTER COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012**

STATE CENTER COMMUNITY COLLEGE FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

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Moore Grider & Company
Certified Public Accountants

*A Partnership Including
Accountancy Corporations*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.,
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A.,
Accountancy Corporation

Pamela J. Gallemore, C.P.A.,
Accountancy Corporation

Karl L. Noyes, C.P.A.,
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Necia Wollenman, C.P.A.

Rena R. Avedikian, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Carrie M. Wiebe, C.P.A.

Nora E. Crow, C.P.A.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.FE.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

INDEPENDENT AUDITORS' REPORT

Board of Directors
State Center Community College Foundation
Fresno, California

We have audited the accompanying financial statements of State Center Community College Foundation (the Foundation) as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 from 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 that 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 State Center Community College Foundation as of June 30, 2013, and the changes in its nets assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the State Center Community College Foundation's 2012 financial statements, and our report dated November 13, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moore Grier & Company

October 31, 2013

STATE CENTER COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013, WITH COMPARATIVE TOTALS FOR 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2013	2012
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ (2,173,675)	\$ 2,554,476	\$ 0	\$ 380,801	\$ 416,374
Receivables	0	230	0	230	11,643
Pledges receivable, net of allowance for uncollectible amounts (Note 2)	0	20,671	0	20,671	24,205
Due from (to) other funds	2,669,879	(2,943,972)	274,093	0	0
Short-term investments (Note 3)	386,641	260,583	0	647,224	645,281
TOTAL CURRENT ASSETS	882,845	(108,012)	274,093	1,048,926	1,097,503
PLEDGES RECEIVABLE , net of current portion (Note 2)	0	0	0	0	3,216
LONG-TERM INVESTMENTS (Note 3)	396,956	5,219,269	6,468,957	12,085,182	11,285,135
TOTAL ASSETS	1,279,801	5,111,257	6,743,050	13,134,108	12,385,854
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	4,499	59,015	0	63,514	108,805
Deferred revenue	1,000	0	0	1,000	1,000
TOTAL CURRENT LIABILITIES	5,499	59,015	0	64,514	109,805
NET ASSETS					
Unrestricted (Note 5)	1,274,302	0	0	1,274,302	194,910
Temporarily restricted (Note 6)	0	5,052,242	0	5,052,242	6,006,336
Permanently restricted (Note 6)	0	0	6,743,050	6,743,050	6,074,803
TOTAL NET ASSETS	1,274,302	5,052,242	6,743,050	13,069,594	12,276,049
TOTAL LIABILITIES AND NET ASSETS	\$ 1,279,801	\$ 5,111,257	\$ 6,743,050	\$ 13,134,108	\$ 12,385,854

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2013	2012
PUBLIC SUPPORT AND REVENUES					
Contributions	\$ 258,647	\$ 1,261,658	\$ 0	\$ 1,520,305	\$ 2,277,993
Donated materials	0	154,216	0	154,216	0
Interest and dividends (Note 3)	4,501	62,852	55,254	122,607	178,327
Realized gain (loss) on sale of investments (Note 3)	(1,591)	3,712	(116,008)	(113,887)	25,443
Unrealized gain (loss) on investments (Note 3)	34,030	313,891	445,685	793,606	(136,735)
Net assets released from restrictions:					
Satisfaction of program restrictions (Note 6)	1,458,049	(1,458,049)	0	0	0
Satisfaction of timing restrictions (Note 6)	1,009,058	(1,009,058)	0	0	0
Reclassification of Endowments I, II and III (Note 6)	0	(376,002)	376,002	0	0
Income reallocation (Note 6)	0	92,686	(92,686)	0	0
	<u>2,762,694</u>	<u>(954,094)</u>	<u>668,247</u>	<u>2,476,847</u>	<u>2,345,028</u>
EXPENSES					
Program services:					
Educational activities	960,939	0	0	960,939	1,546,869
Scholarships and awards	641,301	0	0	641,301	405,251
	<u>1,602,240</u>	<u>0</u>	<u>0</u>	<u>1,602,240</u>	<u>1,952,120</u>
Management and general	0	0	0	0	62,596
Fundraising	81,062	0	0	81,062	94,439
	<u>1,683,302</u>	<u>0</u>	<u>0</u>	<u>1,683,302</u>	<u>2,109,155</u>
NET INCREASE (DECREASE) IN NET ASSETS	1,079,392	(954,094)	668,247	793,545	235,873
NET ASSETS, beginning of year	194,910	6,006,336	6,074,803	12,276,049	12,040,176
NET ASSETS, end of year	<u>\$ 1,274,302</u>	<u>\$ 5,052,242</u>	<u>\$ 6,743,050</u>	<u>\$ 13,069,594</u>	<u>\$ 12,276,049</u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services				TOTALS	
	Educational Activities	Scholarships and Awards	General and Administrative	Fundraising	2013	2012
Building and equipment	\$ 29,302	\$ 0	\$ 0	\$ 0	\$ 29,302	\$ 22,291
Conference, travel and meals	195,751	0	0	0	195,751	95,234
Contract labor	321,379	0	0	0	321,379	1,109,877
Fundraising supplies	0	0	0	81,062	81,062	90,961
Other	44,447	0	0	0	44,447	20,271
Printing and binding	37,414	0	0	0	37,414	20,435
Salaries	0	0	0	0	0	69,552
Scholarships	0	641,301	0	0	641,301	405,251
Supplies and material	332,646	0	0	0	332,646	275,283
	<u>\$ 960,939</u>	<u>\$ 641,301</u>	<u>\$ 0</u>	<u>\$ 81,062</u>	<u>\$ 1,683,302</u>	<u>\$ 2,109,155</u>

STATE CENTER COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 793,545	\$ 235,873
Adjustments to reconcile increase in net assets to net cash provided from operating activities:		
Realized (gain) loss on sale of investments	113,887	(25,443)
Unrealized (gain) loss on investments	(793,606)	136,735
Changes in:		
Receivables	11,413	(11,643)
Pledges receivable	6,750	22,719
Accounts payable and accrued liabilities	(45,291)	(354,701)
Deferred revenue	<u>0</u>	<u>1,000</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>86,698</u>	<u>4,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,719,636)	(2,588,452)
Proceeds from sale of investments	<u>3,597,365</u>	<u>2,482,930</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(122,271)</u>	<u>(105,522)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET DECREASE IN CASH	(35,573)	(100,982)
CASH AND CASH EQUIVALENTS, beginning of year	<u>416,374</u>	<u>517,356</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 380,801</u>	<u>\$ 416,374</u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Center Community College Foundation is incorporated as a nonprofit public benefit auxiliary corporation to provide financial support for scholarships, instructional programs, educational support, athletics and student activities at the campuses of the State Center Community College District.

The following are the significant accounting policies of the organization:

Method of accounting – The financial statements are prepared using the accrual basis of accounting, in which support and revenue are recognized when received or earned and expenses are recognized when incurred.

Tax status – The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a “publicly supported” organization. Contributions to the Foundation are deductible under Section 170(c)(2).

Income tax returns are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2013 and 2012, interest and penalties totaled \$0.

Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state tax returns are more likely than not to be sustained upon examination.

Cash and cash equivalents – For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Receivables – Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At June 30, 2013 and 2012, the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

Pledges Receivable – Unconditional pledges receivable from donors that are expected to be collected within one year are recorded at net realizable value. Long-term pledges receivable that are expected to be collected in a period beyond one year are recorded at a discount using the present value of their estimated future cash flows. The discounts on long-term pledges receivable are

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 1: **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Pledges Receivable (continued)

computed using risk-free interest rates applicable to the period in which the pledges to give are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management has determined that an allowance of \$43,026 and \$42,815 for uncollectible pledges receivable is sufficient as of June 30, 2013 and 2012, respectively.

Investments:

Permanently restricted – Each of the four endowments within the group receives separate returns based on its invested portfolio and records the return on its investments in various revenue accounts as reflected in the accompanying statement of activities.

Temporarily restricted and unrestricted – Each activity participating in the investment pool receives its pro rata share of the overall return and records the return on its investments in various revenue accounts as reflected in the accompanying statement of activities.

The investment portfolios of all the funds are carried at fair value at June 30, 2013 and 2012. All investment income is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on temporarily restricted and unrestricted investments are credited to unrestricted net assets, unless otherwise designated by the donor.

Accounting for contributions – All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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 and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from those investments is expended for the purposes specified by the donors.

Donated materials – The organization receives various donated materials. The estimated fair value of the donation is recorded as support and expense in the period received.

Accounting estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Accounting estimates (continued)

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative financial information – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended June 30, 2012, from which the summarized information was derived.

NOTE 2: PLEDGES RECEIVABLE

Pledges receivable at June 30, 2013 and 2012 are as follows:

	2013	2012
Pledges receivable	\$ 63,697	\$ 70,447
Less: Unamortized discount	0	211
TOTAL	63,697	70,236
Less: Allowance for uncollectible pledges	43,026	42,815
Net pledges receivable	\$ 20,671	\$ 27,421
Amounts due in:		
Less than one year	\$ 20,671	\$ 24,205
One to four years	0	3,216
	\$ 20,671	\$ 27,421

The average discount rate used to calculate the present value of promises to give expected to be collected in periods beyond one year was 7% for the year ended June 30, 2012.

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See next page for continuation of notes.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 2: **PLEDGES RECEIVABLE** (Continued)

A summary of changes in pledges receivable for the years ended June 30, 2013 and 2012 is presented below:

	2013	2012
Pledges receivable		
Balance, beginning of year	\$ 27,421	\$ 50,140
Additions to pledges receivable	0	1,302
Payments on pledges receivable	(6,750)	(59,731)
Changes in provision for doubtful accounts	(210)	35,230
Change in discount on pledges receivable	210	480
	<u>20,671</u>	<u>27,421</u>
Balance, end of year	<u>\$ 20,671</u>	<u>\$ 27,421</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 3: INVESTMENTS

The Foundation invests in premium investment grade mutual bond funds and equity securities from companies located throughout the world. The securities are classified as “available for sale” and carried on the financial statements at fair value. Investments at June 30, 2013 and 2012 are summarized as follows:

	<u>2013</u>	
	<u>FAIR VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
SHORT-TERM INVESTMENTS		
Unrestricted		
California Local Agency Investment Fund	\$ 386,641	\$ 0
Temporarily Restricted		
California Local Agency Investment Fund	<u>260,583</u>	<u>0</u>
TOTAL SHORT-TERM INVESTMENTS	<u>\$ 647,224</u>	<u>\$ 0</u>
LONG-TERM INVESTMENTS		
Unrestricted		
Destination Wealth Management	<u>\$ 396,956</u>	<u>\$ 68,925</u>
Temporarily Restricted		
American Funds	240,183	84,975
Destination Wealth Management	<u>4,979,086</u>	<u>543,106</u>
	<u>5,219,269</u>	<u>628,081</u>
Permanently Restricted		
American Funds	129,694	(23,023)
Destination Wealth Management	<u>6,339,263</u>	<u>2,009,917</u>
	<u>6,468,957</u>	<u>1,986,894</u>
TOTAL LONG-TERM INVESTMENTS	<u>\$ 12,085,182</u>	<u>\$ 2,683,900</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 3: INVESTMENTS (Continued)

	2012	
	FAIR VALUE	UNREALIZED GAIN (LOSS)
SHORT-TERM INVESTMENTS		
Unrestricted		
California Local Agency Investment Fund	\$ 384,698	\$ 0
Temporarily Restricted		
California Local Agency Investment Fund	<u>260,583</u>	<u>0</u>
TOTAL SHORT-TERM INVESTMENTS	<u>\$ 645,281</u>	<u>\$ 0</u>
LONG-TERM INVESTMENTS		
Unrestricted		
Destination Wealth Management	<u>\$ 362,082</u>	<u>\$ 34,895</u>
Temporarily Restricted		
American Funds	202,295	51,675
Destination Wealth Management	<u>4,566,051</u>	<u>262,515</u>
	<u>4,768,346</u>	<u>314,190</u>
Permanently Restricted		
American Funds	107,634	(42,413)
Destination Wealth Management	<u>6,047,073</u>	<u>1,583,622</u>
	<u>6,154,707</u>	<u>1,541,209</u>
TOTAL LONG-TERM INVESTMENTS	<u>\$ 11,285,135</u>	<u>\$ 1,890,294</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 3: INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2013, with comparative totals for 2012:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL 2013	TOTAL 2012
Interest and dividends, (net of management fees of \$57,255 in 2013 and \$53,357 in 2012)	\$ 4,501	\$ 62,852	\$ 55,254	\$ 122,607	\$ 178,327
Realized gain (loss) on sale of investments	(1,591)	3,712	(116,008)	(113,887)	25,443
Unrealized gain (loss) on investments	34,030	313,891	445,685	793,606	(136,735)
	<u>\$ 36,940</u>	<u>\$ 380,455</u>	<u>\$ 384,931</u>	<u>\$ 802,326</u>	<u>\$ 67,035</u>

Interest and dividends (net of management fees) and realized gains (losses) earned on permanently restricted endowments, governed by U.S. Department of Education Title III Regulations, is credited to temporarily restricted net assets and available for funding scholarship or student activity needs of the campuses.

NOTE 4: ENDOWMENTS

Effective July 1, 2008 the Foundation adopted the provisions established by accounting literature for Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The accounting literature provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment assets consist of individual funds established to provide financial support to the Foundation in perpetuity. The endowment assets includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 4: ENDOWMENTS (Continued)

Interpretation of Relevant Law (continued)

gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes premium investment grade mutual bond funds and equity securities, that is intended to result in a consistent inflation-protected rate of return. Accordingly, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 4: **ENDOWMENTS** (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation uses a method based upon the total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA).

As of February 22, 2006, the board approved a spending/distribution policy. All endowed scholarship gifts not governed by U.S. Department of Education Title III Regulations shall be managed in accordance with the following spending/distribution policy:

It is the policy of the Foundation to preserve the principal of the endowment fund ("Endowment") and maintain its current and future value, while providing for a consistent volume of annual earnings available to be distributed for scholarship purposes. In this regard, the Endowment shall annually make available for distribution 4.5% of its principal balance as follows: in the quarter that the distribution is to be made, 4.5% of the average quarterly book balance of the Endowment shall be calculated by multiplying 4.5% by the average quarterly book value of the Endowment as determined over the three year period immediately preceding the year in which the distribution is to be made. To the extent that the actual earnings for the year fall short of the 4.5% calculation, available earnings from previous years can be distributed. This 4.5% calculation of distributable earnings shall then be allocated pro rata between all individual endowment accounts based on each individual endowment account's beginning of the year market value, plus current year donations and reinvestments (weighted for the month in which they were made). Earnings shall be defined as dividends, interest, and, to the extent that distributions are not covered by interest and dividends, realized gains. Annually, earnings not distributed pursuant to this policy shall be combined into the Endowment principal.

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 4: ENDOWMENTS (Continued)

Endowment Net Asset Composition by Type of Fund

Endowment net assets consist of the following at June 30, 2013 and 2012:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 0	\$ 2,842,402	\$ 6,743,050	\$ 9,585,452
Board-designated endowment funds	<u>1,009,058</u>	<u>0</u>	<u>0</u>	<u>1,009,058</u>
Total endowment net assets	<u>\$ 1,009,058</u>	<u>\$ 2,842,402</u>	<u>\$ 6,743,050</u>	<u>\$ 10,594,510</u>
	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ 0</u>	<u>\$ 4,254,245</u>	<u>\$ 6,074,803</u>	<u>\$ 10,329,048</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 4: ENDOWMENTS (Continued)

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the years ended June 30, 2013 and 2012:

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2012	\$ 0	\$ 4,254,245	\$ 6,074,803	\$ 10,329,048
Investment return				
Interest and dividends, net of expenses	0	0	55,254	55,254
Realized loss on sale of investments	0	0	(116,008)	(116,008)
Unrealized gain on investments	0	176,131	445,685	621,816
Net investment return	0	176,131	384,931	561,062
Contributions	0	0	0	0
Release due to satisfaction of program restrictions	0	(295,600)	0	(295,600)
Transfer due to satisfaction of timing restrictions	1,009,058	(1,009,058)	0	0
Reclassification of Endowments I, II and III	0	(376,002)	376,002	0
Release of endowment earnings for program purposes	0	92,686	(92,686)	0
Endowment net assets, June 30, 2013	<u>\$ 1,009,058</u>	<u>\$ 2,842,402</u>	<u>\$ 6,743,050</u>	<u>\$ 10,594,510</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 4: ENDOWMENTS (Continued)

Changes in Endowment Net Assets (continued)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2011	\$ 0	\$ 4,221,509	\$ 6,147,072	\$ 10,368,581
Investment loss				
Interest and dividends, net of expenses	0	0	76,979	76,979
Realized gain on sale of investments	0	0	9,353	9,353
Unrealized gain (loss) on investments	0	232,806	(88,697)	144,109
Net investment return	0	232,806	(2,365)	230,441
Contributions	0	0	0	0
Release due to satisfaction of program restrictions	0	(269,974)	0	(269,974)
Release of endowment earnings for program purposes	0	69,904	(69,904)	0
Endowment net assets, June 30, 2012	\$ 0	\$ 4,254,245	\$ 6,074,803	\$ 10,329,048

NOTE 5: UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2013 and 2012, consist of the following:

	2013	2012
Board-designated endowment	\$ 1,009,058	\$ 0
Undesignated net assets	265,244	194,910
	\$ 1,274,302	\$ 194,910

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 6: PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

Permanently and temporarily restricted net assets are available for the following purposes as of June 30, 2013 and 2012:

	2013		2012	
	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Scholarships	\$ 5,927,398	\$ 3,578,418	\$ 5,255,495	\$ 3,544,695
Instructional programs	534,533	647,031	534,961	765,287
Educational support	261,200	626,619	264,291	1,496,537
Athletic programs	<u>19,919</u>	<u>200,174</u>	<u>20,056</u>	<u>199,817</u>
	<u>\$ 6,743,050</u>	<u>\$ 5,052,242</u>	<u>\$ 6,074,803</u>	<u>\$ 6,006,336</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2013 are:

	2013 TEMPORARILY RESTRICTED
Scholarships	\$ 412,456
Instructional programs	531,456
Educational support	233,902
Athletic programs	<u>280,235</u>
	<u>\$ 1,458,049</u>

Effective July 1, 2012, the time restraints on the temporarily restricted portion of Endowment I expired. As a result, \$1,009,058 of accumulated earnings previously classified as temporarily restricted net assets were released from donor restriction.

During the year ended June 30, 2013, management reviewed the original donor documentation related to Endowments I, II and III. Based upon the findings of this review, \$376,002 of temporarily restricted net assets were reclassified as permanently restricted.

Net assets released from restrictions – income reallocation during the year ended June 30, 2013 are:

Interest and dividends (net of management fees) and realized gains (losses) of \$92,686 earned on permanently restricted net assets were reallocated from permanently restricted net assets to temporarily restricted net assets.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE 7: CREDIT RISK

Cash - The Foundation maintains its cash accounts primarily with a bank located in Fresno, California. The FDIC insures total interest bearing cash balances up to \$250,000 per bank. At June 30, 2013, the Foundation had a cash balance on deposit with the bank in the amount of \$438,886, which exceeded the balance insured by the FDIC. Typically the monthly balance in the interest bearing account is less than \$250,000.

Pledge Receivable – Economic conditions within California may impact the collection of pledges receivable.

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2013 (date financial statements available to be issued) noting the following matter:

Effective August 1, 2013, the time restraints on the temporarily restricted portion of Endowment II expired. Management is currently awaiting final approval from the United States Department of Education to release the restrictions. As a result, \$1,592,178 in temporarily restricted net assets will be reallocated to unrestricted net assets.