

STATE CENTER COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR 2013**

STATE CENTER COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 – 21



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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, 2014, 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, 2014, 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the 2013 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the State Center Community College Foundation's 2013 financial statements, and our report dated October 31, 2013, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moore Grier & Company

November 24, 2014

STATE CENTER COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2014	2013 (Restated)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 0	\$ 184,167	\$ 0	\$ 184,167	\$ 380,801
Receivables	0	0	0	0	230
Pledges receivable, net of allowance for uncollectible amounts (Note 2)	0	0	0	0	20,671
Due from (to) other funds	1,365,105	(524,968)	(840,137)	0	0
Short-term investments (Note 3)	738,213	260,583	0	998,796	647,224
TOTAL CURRENT ASSETS	2,103,318	(80,218)	(840,137)	1,182,963	1,048,926
LONG-TERM INVESTMENTS (Note 3)	1,465,861	4,584,983	7,713,196	13,764,040	12,085,182
TOTAL ASSETS	3,569,179	4,504,765	6,873,059	14,947,003	13,134,108
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	81,059	50,780	0	131,839	63,514
Deferred revenue	1,000	0	0	1,000	1,000
TOTAL CURRENT LIABILITIES	82,059	50,780	0	132,839	64,514
NET ASSETS					
Unrestricted (Note 6)	3,487,120	0	0	3,487,120	1,274,302
Temporarily restricted (Note 7)	0	4,453,985	0	4,453,985	5,705,004
Permanently restricted (Note 7)	0	0	6,873,059	6,873,059	6,090,288
TOTAL NET ASSETS	3,487,120	4,453,985	6,873,059	14,814,164	13,069,594
TOTAL LIABILITIES AND NET ASSETS	\$ 3,569,179	\$ 4,504,765	\$ 6,873,059	\$ 14,947,003	\$ 13,134,108

STATE CENTER COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2014	2013 (Restated)
PUBLIC SUPPORT AND REVENUES					
Contributions	\$ 262,130	\$ 1,085,751	\$ 164,536	\$ 1,512,417	\$ 1,520,305
Donated materials	18,577	24,761	0	43,338	154,216
Interest and dividends (Note 3)	6,482	64,676	90,232	161,390	122,607
Realized gain (loss) on sale of investments (Note 3)	59	19,624	(182)	19,501	(113,887)
Unrealized gain on investments (Note 3)	55,017	541,407	903,469	1,499,893	793,606
Net assets released from restrictions:					
Satisfaction of program restrictions (Note 7)	1,123,224	(1,123,224)	0	0	0
Satisfaction of timing restrictions (Note 7)	2,239,298	(2,239,298)	0	0	0
Income reallocation (Note 7)	0	375,284	(375,284)	0	0
	<u>3,704,787</u>	<u>(1,251,019)</u>	<u>782,771</u>	<u>3,236,539</u>	<u>2,476,847</u>
TOTAL PUBLIC SUPPORT AND REVENUES					
EXPENSES					
Program services:					
Educational activities	785,491	0	0	785,491	960,939
Scholarships and awards	533,862	0	0	533,862	641,301
	<u>1,319,353</u>	<u>0</u>	<u>0</u>	<u>1,319,353</u>	<u>1,602,240</u>
Management and general	56,474	0	0	56,474	0
Fundraising	116,142	0	0	116,142	81,062
	<u>1,491,969</u>	<u>0</u>	<u>0</u>	<u>1,491,969</u>	<u>1,683,302</u>
TOTAL EXPENSES					
NET INCREASE (DECREASE) IN NET ASSETS	2,212,818	(1,251,019)	782,771	1,744,570	793,545
NET ASSETS, beginning of year, as previously reported	1,274,302	5,052,242	6,743,050	13,069,594	12,276,049
PRIOR PERIOD ADJUSTMENT (Note 8)	<u>0</u>	<u>652,762</u>	<u>(652,762)</u>	<u>0</u>	<u>0</u>
NET ASSETS, beginning of year, as adjusted	<u>1,274,302</u>	<u>5,705,004</u>	<u>6,090,288</u>	<u>13,069,594</u>	<u>12,276,049</u>
NET ASSETS, end of year	<u>\$ 3,487,120</u>	<u>\$ 4,453,985</u>	<u>\$ 6,873,059</u>	<u>\$ 14,814,164</u>	<u>\$ 13,069,594</u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	<u>Program Services</u>				<u>TOTALS</u>	
	<u>Educational Activities</u>	<u>Scholarships and Awards</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2014</u>	<u>2013</u>
Building and equipment	\$ 32,050	\$ 0	\$ 0	\$ 0	\$ 32,050	\$ 29,302
Conference, travel and meals	186,192	0	0	0	186,192	195,751
Contract labor	177,093	0	0	0	177,093	321,379
Fundraising supplies	0	0	0	113,005	113,005	81,062
Other	51,729	0	0	0	51,729	44,447
Printing and binding	30,664	0	0	0	30,664	37,414
Salaries	3,137	0	56,474	3,137	62,748	0
Scholarships	0	533,862	0	0	533,862	641,301
Supplies and material	304,626	0	0	0	304,626	332,646
	<u>\$ 785,491</u>	<u>\$ 533,862</u>	<u>\$ 56,474</u>	<u>\$ 116,142</u>	<u>\$ 1,491,969</u>	<u>\$ 1,683,302</u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,744,570	\$ 793,545
Adjustments to reconcile increase in net assets to net cash provided from operating activities:		
Realized (gain) loss on sale of investments	(19,501)	113,887
Unrealized gain on investments	(1,499,893)	(793,606)
Changes in:		
Receivables	230	11,413
Pledges receivable	20,671	6,750
Accounts payable and accrued liabilities	68,325	(45,291)
	<u>314,402</u>	<u>86,698</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(10,140,903)	(3,719,636)
Proceeds from sale of investments	9,629,867	3,597,365
	<u>(511,036)</u>	<u>(122,271)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET DECREASE IN CASH	(196,634)	(35,573)
CASH AND CASH EQUIVALENTS, beginning of year	<u>380,801</u>	<u>416,374</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 184,167</u></u>	<u><u>\$ 380,801</u></u>

See Accompanying Notes to Financial Statements

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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, 2014 AND 2013

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 \$0 and \$43,026 for uncollectible pledges receivable is sufficient as of June 30, 2014 and 2013, 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, 2014 and 2013. 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, 2014 AND 2013

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, 2013, from which the summarized information was derived.

NOTE 2: PLEDGES RECEIVABLE

Pledges receivable at June 30, 2014 and 2013 are as follows:

	2014	2013
Pledges receivable	\$ 0	\$ 63,697
Less: Unamortized discount	0	0
TOTAL	0	63,697
Less: Allowance for uncollectible pledges	0	43,026
Net pledges receivable	0	20,671
Amounts due in:		
Less than one year	\$ 0	\$ 20,671

A summary of changes in pledges receivable for the years ended June 30, 2014 and 2013 is presented below:

	2014	2013
Pledges receivable		
Balance, beginning of year	\$ 20,671	\$ 27,421
Payments on pledges receivable	(14,991)	(6,750)
Direct write-offs	(5,680)	0
Changes in provision for doubtful accounts	0	(210)
Change in discount on pledges receivable	0	210
Balance, end of year	\$ 0	\$ 20,671

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014 and 2013 are summarized as follows:

	<u>2014</u>	
	<u>FAIR VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
SHORT-TERM INVESTMENTS		
Unrestricted		
California Local Agency Investment Fund	\$ 738,213	\$ 0
Temporarily Restricted		
California Local Agency Investment Fund	<u>260,583</u>	<u>0</u>
TOTAL SHORT-TERM INVESTMENTS	<u>\$ 998,796</u>	<u>\$ 0</u>
LONG-TERM INVESTMENTS		
Unrestricted		
Destination Wealth Management	<u>1,465,861</u>	<u>\$ 123,942</u>
Temporarily Restricted		
American Funds	290,183	124,493
Destination Wealth Management	<u>4,294,800</u>	<u>1,044,995</u>
	<u>4,584,983</u>	<u>1,169,488</u>
Permanently Restricted		
American Funds	158,805	(15)
Destination Wealth Management	<u>7,554,391</u>	<u>2,890,378</u>
	<u>7,713,196</u>	<u>2,890,363</u>
TOTAL LONG-TERM INVESTMENTS	<u>\$ 13,764,040</u>	<u>\$ 4,183,793</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 3: INVESTMENTS (Continued)

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

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See next page for continuation of notes.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014, with comparative totals for 2013:

	UNRESTRICTED	TEMPORARILY	PERMANENTLY	TOTAL	
		RESTRICTED	RESTRICTED	2014	2013
Interest and dividends, (net of management fees of \$62,157 in 2014 and \$57,255 in 2013)	\$ 6,482	\$ 64,676	\$ 90,232	\$ 161,390	\$ 122,607
Realized gain (loss) on sale of investments	59	19,624	(182)	19,501	(113,887)
Unrealized gain on investments	55,017	541,407	903,469	1,499,893	793,606
	<u>\$ 61,558</u>	<u>\$ 625,707</u>	<u>\$ 993,519</u>	<u>\$ 1,680,784</u>	<u>\$ 802,326</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, 2014 AND 2013

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, 2014 AND 2013

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, 2014 AND 2013

NOTE 4: **ENDOWMENTS** (Continued)

Endowment Net Asset Composition by Type of Fund

Endowment net assets consist of the following at June 30, 2014 and 2013:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ 0	\$ 1,209,470	\$ 6,873,059	\$ 8,082,529
Board-designated endowment funds	<u>3,195,108</u>	<u>0</u>	<u>0</u>	<u>3,195,108</u>
Total endowment net assets	<u>\$ 3,195,108</u>	<u>\$ 1,209,470</u>	<u>\$ 6,873,059</u>	<u>\$ 11,277,637</u>
	2013 (Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 0	\$ 3,157,988	\$ 6,090,288	\$ 9,248,276
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>\$ 3,157,988</u>	<u>\$ 6,090,288</u>	<u>\$ 10,257,334</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 4: ENDOWMENTS (Continued)

Changes in Endowment Net Assets

The following schedule shows changes in endowment net assets for the years ended June 30, 2014 and 2013:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013	<u>\$ 1,009,058</u>	<u>\$ 3,157,988</u>	<u>\$ 6,090,288</u>	<u>\$ 10,257,334</u>
Investment return				
Interest and dividends, net of expenses	73	0	90,232	90,305
Realized loss on sale of investments	0	0	(182)	(182)
Unrealized gain on investments	<u>3,390</u>	<u>229,518</u>	<u>903,469</u>	<u>1,136,377</u>
Net investment return	3,463	229,518	993,519	1,226,500
Contributions	0	0	164,536	164,536
Expenditures	(56,711)	0	0	(56,711)
Release due to satisfaction of program restrictions	0	(314,022)	0	(314,022)
Transfer due to satisfaction of timing restrictions	2,239,298	(2,239,298)	0	0
Release of endowment earnings for program purposes	<u>0</u>	<u>375,284</u>	<u>(375,284)</u>	<u>0</u>
Endowment net assets, June 30, 2014	<u>\$ 3,195,108</u>	<u>\$ 1,209,470</u>	<u>\$ 6,873,059</u>	<u>\$ 11,277,637</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 4: ENDOWMENTS (Continued)

Changes in Endowment Net Assets (continued)

	<u>2013 (Restated)</u>			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, July 1, 2012, as previously reported	\$ 0	\$ 3,809,244	\$ 6,074,803	\$ 9,884,047
Prior period adjustment	<u>0</u>	<u>352,347</u>	<u>(352,347)</u>	<u>0</u>
Endowment net assets, July 1, 2012, as adjusted	<u>0</u>	<u>4,161,591</u>	<u>5,722,456</u>	<u>9,884,047</u>
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	<u>0</u>	<u>283,956</u>	<u>445,685</u>	<u>729,641</u>
Net investment return	0	283,956	384,931	668,887
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 due to restatement	0	(75,587)	75,587	0
Release of endowment earnings for program purposes	<u>0</u>	<u>92,686</u>	<u>(92,686)</u>	<u>0</u>
Endowment net assets, June 30, 2013	<u>\$ 1,009,058</u>	<u>\$ 3,157,988</u>	<u>\$ 6,090,288</u>	<u>\$ 10,257,334</u>

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 5: FAIR VALUE MEASUREMENTS

FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the 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 fair value hierarchy under FASB ASC 820 are described below:

- | | |
|---------|--|
| Level 1 | Quoted prices for identical assets or liabilities traded in active markets |
| Level 2 | Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Bond and equity mutual funds: Valued at the quoted net asset value of shares held by the Foundation at year end.

Money market funds: Valued at the net asset value of shares held by the Foundation at year end.

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

The tables below presents the level within the hierarchy at which assets are measured at June 30, 2014 and 2013:

	<u>2014</u>			
	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Recurring:				
Available for sale				
marketable securities				
Bond mutual funds	\$ 4,652,934	\$ 4,652,934	\$ 0	\$ 0
Equity mutual funds	8,488,235	8,488,235	0	0
Money market funds	<u>1,621,667</u>	<u>1,621,667</u>	<u>0</u>	<u>0</u>
Total available for sale				
marketable securities	<u>\$ 14,762,836</u>	<u>\$ 14,762,836</u>	<u>\$ 0</u>	<u>\$ 0</u>
	<u>2013</u>			
	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Recurring:				
Available for sale				
marketable securities				
Bond mutual funds	\$ 4,642,382	\$ 4,642,382	\$ 0	\$ 0
Equity mutual funds	7,006,969	7,006,969	0	0
Money market funds	<u>1,083,055</u>	<u>1,083,055</u>	<u>0</u>	<u>0</u>
Total available for sale				
marketable securities	<u>\$ 12,732,406</u>	<u>\$ 12,732,406</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE 6: UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2014 and 2013, consist of the following:

	<u>2014</u>	<u>2013</u>
Board-designated endowment	\$ 3,195,108	\$ 1,009,058
Undesignated net assets	<u>292,012</u>	<u>265,244</u>
	<u>\$ 3,487,120</u>	<u>\$ 1,274,302</u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 6: UNRESTRICTED NET ASSETS (Continued)

Board-designated endowment net assets are available for the following purposes as of June 30, 2014 and 2013:

	2014	2013
Scholarships and programs	\$ 450,000	\$ 0
Assistant director/alumni development	205,639	0
Madera Center Career and Transfer Center	25,000	0
Board-designated endowment - unspecified	<u>2,514,469</u>	<u>1,009,058</u>
	<u>\$ 3,195,108</u>	<u>\$ 1,009,058</u>

NOTE 7: PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS

Permanently and temporarily restricted net assets are available for the following purposes as of June 30, 2014 and 2013:

	2014		2013 (Restated)	
	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Scholarships	\$ 6,018,590	\$ 1,634,702	\$ 5,274,636	\$ 2,812,359
Instructional programs	553,128	749,810	534,533	647,031
Educational support	269,553	1,892,848	261,200	2,045,440
Athletic programs	<u>31,788</u>	<u>176,625</u>	<u>19,919</u>	<u>200,174</u>
	<u>\$ 6,873,059</u>	<u>\$ 4,453,985</u>	<u>\$ 6,090,288</u>	<u>\$ 5,705,004</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2014 are:

	2014 TEMPORARILY RESTRICTED
Scholarships	\$ 461,992
Instructional programs	224,239
Educational support	114,791
Athletic programs	<u>322,202</u>
	<u>\$ 1,123,224</u>

Effective August 1, 2013, the time restraints on the temporarily restricted portion of Endowment II expired. As a result, \$2,239,298 of accumulated earnings previously classified as temporarily restricted net assets were released from donor restriction.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 7: **PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS** (Continued)

Net assets released from restrictions – income reallocation during the year ended June 30, 2014 are:

Interest and dividends (net of management fees) and realized gains (losses) of \$375,284 earned on permanently restricted net assets were reallocated from permanently restricted net assets to temporarily restricted net assets.

NOTE 8: **PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements have been restated to correct the reporting of the valuation of the permanently and temporarily restricted portions of Endowments I, II and III. The restatement had no impact on previously reported net cash flow information. The effect of the restatement is as follows:

Year ended	Temporarily Restricted	Permanently Restricted
June 30, 2012	\$ 352,347	\$ (352,347)
June 30, 2013	<u>300,415</u>	<u>(300,415)</u>
	<u>\$ 652,762</u>	<u>\$ (652,762)</u>

NOTE 9: **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 24, 2014 (date financial statements available to be issued) and determined no events have occurred subsequent to June 30, 2014 that would require adjustment to, or disclosure in the financial statements.