

**Victor Valley Community
College District Foundation**

Report on Audit

June 30, 2008

Victor Valley Community College District Foundation

(A Non-Profit Organization)

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

February 27, 2008

The Board of Directors of
Victor Valley Community College District Foundation
Victorville, California

We have audited the accompanying statement of financial position of Victor Valley Community College District Foundation (a non-profit organization), as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Victor Valley Community College District Foundation, as of June 30, 2008, 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.

Our audit was conducted for the purpose of forming an opinion of the financial statements taken as a whole. The accompanying schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Statement of Financial Position

June 30, 2008

ASSETS

Current assets

Cash and cash equivalents	\$ 1,458,546
Investments, at estimated market value	325,066
Pledges and grants receivable, net	521,029
Nursing loans receivable	<u>37,903</u>

Total current assets 2,342,544

Property and equipment

Donated airplane	460,000
Equipment	33,440
Less accumulated depreciation	<u>(29,878)</u>

Net property and equipment 463,562

TOTAL ASSETS \$ 2,806,106

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 5,046
Accrued salaries payable	69,413
Joseph B. Campbell Scholarship	<u>600</u>

Total current liabilities / total liabilities 75,059

Net assets

Unrestricted	858,798
Temporarily restricted	1,471,629
Permanently restricted	<u>400,620</u>

Total net assets 2,731,047

TOTAL LIABILITIES AND NET ASSETS \$ 2,806,106

See accompanying notes and auditors' report

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Statement of Activities

For the Year Ended June 30, 2008

UNRESTRICTED NET ASSETS

Unrestricted revenues and gains

Administrative fee less allocated proceeds	\$ 210,257
Cash donations	38,040
In-kind donations	44,452
Dues	77,933
Event revenue	103,052
Interest and dividend income	38,899
Unrealized loss on investments	<u>(12,324)</u>

Total unrestricted revenues and gains 500,309

Net assets released from restrictions

Restrictions satisfied by payments 1,400,082

TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT 1,900,391

Allocations and expenses

Program services	1,259,031
Management and general	194,002
Support services - fundraising	<u>169,933</u>

Total allocations and expenses 1,622,966

INCREASE IN UNRESTRICTED NET ASSETS 277,425

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Statement of Activities
For the Year Ended June 30, 2008

RESTRICTED NET ASSETS

Temporarily restricted net assets

Contributions	1,635,229
Interest and dividend income	17,613
Administrative fees less allocated proceeds	(213,574)
Unrealized gain on investments	2,872
Released from restrictions	<u>(1,400,082)</u>

Increase in temporarily restricted net assets 42,058

Permanently restricted net assets

Adjustment from temporarily restricted net assets 4,000

Increase in permanently restricted net assets 4,000

INCREASE IN NET ASSETS 323,483

Net assets

Beginning, July 1, 2007 2,407,564

Ending, June 30, 2008 \$ 2,731,047

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Statement of Cash Flows For the Year Ended June 30, 2008

Cash flows from operating activities	
Increase in net assets	\$ 323,483
Adjustment to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	3,085
Unrealized gain (loss) on investments	(9,452)
Pledges and grants receivables	(46,618)
Nursing loans receivable	4,332
Accounts, salaries and scholarships payable	<u>(24,543)</u>
Net cash provided by operating activities	250,287
Cash flows from financing activities	-
Cash flows from investing activities	
Liquidation of investments	<u>31,712</u>
Net cash provided by investing activities	<u>31,712</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	281,999
Cash and cash equivalents	
Beginning, July 1, 2007	<u>1,176,547</u>
Ending, June 30, 2008	<u>\$ 1,458,546</u>
Supplemental information	
Interest earned	\$ 56,512

See accompanying notes and auditors' report

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Notes to Financial Statements

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Victor Valley Community College District Foundation (the “Foundation”) is a not-for-profit organization whose purpose is to support the operations and the students of Victor Valley Community College. The Foundation elicits donations for scholarships and loans to needy and deserving college students.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. In the accrual method, revenue is recognized when earned and expenses are recognized when incurred.

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organizations*”. Under SFAS No. 117, the Organization is required to report information regarding its financial position activities according to three classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets. These classifications are defined as follows:

- (1) *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.
- (2) *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- (3) *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

As permitted by the Statement, the Foundation does not use fund accounting.

Contributions

The Foundation also adopted SFAS No. 116, “*Accounting for Contributions Received and Contributions Made*”, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. The adoption had no cumulative effect on net assets at the date of adoption. As permitted by SFAS No. 116, the Foundation records restricted contributions spent during the current year as unrestricted.

In-Kind Contributions

The Foundation recognizes the estimated value of in-kind contributions when received and the transfer of most of the items received for the use of the College at the same value. In-kind contributions of items that the Foundation ultimately puts to use are recorded as expenses, or, if they qualify, are capitalized as fixed assets.

Public Support

Contributions received from the public are recognized as public support when received.

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Notes to Financial Statements, Continued

June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Purchased property and equipment are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives ranging from five to ten years.

Use of Estimates

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

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is exempt from state taxes under Revenue and Taxation Code Section 23701c.

NOTE 2 – RECEIVABLES

Pledges and Grants Receivable

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through reduction in revenues related to those uncollectible amounts.

At June 30, 2008, pledges receivable consisted of:

Receivables	\$ 551,179
Allowance for uncollectible pledges	<u>(30,150)</u>
Total pledges receivable	<u>\$ 521,029</u>

Nursing Loans Receivable

No provision is made for doubtful loans receivable; however, it is estimated that only immaterial amounts are expected to be unrecoverable.

NOTE 3 – CASH AND EQUIVALENTS

Cash and equivalents are categorized into the following three categories of credit risk:

- *Category 1* – Insured or registered; or securities held by the Foundation or its agent in the Foundation's name.
- *Category 2* – Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Foundation's name.
- *Category 3* – Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the Foundation's name.

Victor Valley Community College District Foundation

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Notes to Financial Statements, Continued

June 30, 2008

NOTE 3 – CASH AND EQUIVALENTS, Continued

Equivalents, as of June 30, 2008, held on behalf of the Foundation are presented below:

	CATEGORY			Balance
	1	2	3	
Citizens Business Bank	\$ 00,000	\$ -	\$ -	\$ 00,000
Desert Community Bank	000,000	000,000	-	000,000
Payden Funds	-	000,000	-	000,000
Morgan Stanley Dean Witter	-	0,000	-	0,000
Thornes & Associates, Inc.	-	000,000	-	000,000
	<u>\$ 000,000</u>	<u>\$ 000,000</u>	<u>\$ -</u>	<u>\$ 0,000,000</u>

NOTE 4 – INVESTMENTS

At June 30, 2008, the Foundation held \$325,066 in investments. The following schedule summarizes the investments:

Thornes & Associates, Inc.	\$ 000,000
Desert Community Bank	<u>000,000</u>
Total investments	<u>\$ 325,066</u>

Thornes & Associates, Inc.

Corporate Bonds:

New England Telephone and Telegraph 5.875% \$ 00,000

Government Bonds:

Federal Home Loan Bank 4.50% 00,000

Federal Home Loan Bank 4.7% 00,000

Federal Home Loan Bank 5.55% 00,000

Tennessee Valley Authority Electronotes 2.45% 00,000

00,000

Certificates of Deposit:

Bank Leumi USA 4.25% 0,000

BMW Bank 4.75% 00,000

First Bank 5.4% 00,000

FirstUTD Bank and Trust 3.65% 00,000

Hibernia National Bank 4.5% 00,000

Oak Hill Bank 5.05% 00,000

Providian National Bank 4.2% 0,000

Providian National Bank 6.25% 00,000

000,000

\$ 000,000

Desert Community Bank

Certificate of Deposit 4.65% \$ 000,000

Victor Valley Community College District Foundation

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Notes to Financial Statements, Continued

June 30, 2008

NOTE 5 – PROPERTY AND EQUIPMENT

During the fiscal year the Foundation received a Boeing 727-100 aircraft as an in-kind donation. The aircraft was originally manufactured in 1966. The donation was received on the condition that it would not be flown nor sold as an airworthy craft. It has been put to use as an educational tool. Since it qualifies, it was recorded as property and equipment at its estimated value of \$460,000 as determined by an independent firm familiar with such aircraft. As an educational tool, it is assumed to have an unlimited useful life; therefore, no depreciation will be recorded on it.

NOTE 6 – RESTRICTED FUNDS

Restricted funds as of June 30, 2008 are as follows:

Other Victor Valley College Support	\$ 3,072
Dr. Prem Reddy Fund	92,131
Nursing Weekend College	786,214
Affiliates	16,817
Boston-Griffith Fund	464,870
Fundraising – Resource Development Grants	<u>146,222</u>
	1,509,326

Scholarships:

General Scholarship Clearing	2,956
Endowed Scholarship Funds	110,674
Prepaid Scholarships	40,250
Named Funds	<u>42,534</u>
	196,414

Victor Valley Community College – Departments and Clubs:

Agriculture	122,742
Athletics	9,827
Nursing Department	5,314
Other	<u>28,626</u>
	<u>166,509</u>

TOTAL RESTRICTED FUNDS \$ 1,872,249

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Notes to Financial Statements, Continued

June 30, 2008

NOTE 6 – RESTRICTED FUNDS, Continued

AFFILIATES

Friends of Botanical Gardens	\$ 3,136
Friends of the Library	7,500
Friends of the Planetarium	4,532
Nursing Alumni	<u>1,649</u>
Total Affiliates	<u>\$ 16,817</u>

BOSTON-GRIFFITH FUND

Boston-Griffith Corpus -permanently restricted	\$ 300,000
Boston-Griffith Growth-temporarily restricted	<u>164,870</u>
Total Boston-Griffith Fund	<u>\$ 464,870</u>

FUNDRAISING (Resource Development Grants)

The California Wellness Foundation	\$ 115,587
Verizon E-Commerce	<u>30,635</u>
Total Fundraising (Resource Development Grants)	<u>\$ 146,222</u>

ENDOWED SCHOLARSHIP FUNDS (including growth)

Charles Peterson Memorial	\$ 24,000	\$ 26,892
H.D. Council of Eng. Surveyors	10,000	12,264
Jack H. Harrison Memorial	10,000	10,586
Marian J. Spafford Memorial Fund	10,200	10,469
Mojave Desert Environment	10,000	10,728
Nancy Fishbaugh	25,000	26,803
Polly Fitch	1,420	1,420
Restaurant Management Endowment	<u>10,000</u>	<u>11,512</u>
Total Endowed Scholarship Funds	<u>\$ 100,620</u>	<u>\$ 110,674</u>

PREPAID SCHOLARSHIPS

Apple Valley Women's Club	\$ 1,200
Altrusa Club	(3,000)
Desert Valley Hospital Auxiliary	7,000
High Desert Hispanic Chamber	1,000
Image Source	1,500
John Howe	10,000
San Bernardino County Medical Society Alliance	1,000
Victor Elementary Teachers Association	800
Victorville Elks Lodge	5,000
Williams Charitable Trust	<u>15,750</u>
Total Prepaid Scholarships	<u>\$ 40,250</u>

SCHOLARSHIPS - NAMED FUNDS

Biotech Scholarship	\$ 1,210
James Marian Memorial	5,298
Brandon Smith Memorial Scholarship	20,029
Elizabeth Elder Memorial	750
Haydee and William Reigadas Scholarship	750
Music	1,291
Pierre Barrera Journalism Scholarship Fund	785
Robert Vincent Memorial	647
Ryan Cambridge Memorial Scholarship	3,000
Tommy Horn	8,248
Victor Valley College Management Group	<u>526</u>
Total Scholarships – Named Funds	<u>\$ 42,534</u>

DEPARTMENTS AND CLUBS - AGRICULTURE

Mojave Sustainability Prop	\$ 122,523
Other	<u>219</u>
Total Agriculture	<u>\$ 122,742</u>

DEPARTMENTS AND CLUBS - NURSING DEPARTMENT

Nursing Class – Fall	\$ 998
Nursing Class – Spring	2,208
General	<u>2,108</u>
Total Nursing Department	<u>\$ 5,314</u>

Victor Valley Community College District Foundation

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Notes to Financial Statements, Continued

June 30, 2008

NOTE 6 – RESTRICTED FUNDS, Continued

DEPARTMENTS AND CLUBS – ATHLETICS

Athletics – General	\$ 2,399
Baseball Fund	67
Football Team	1,906
Golf Team	708
Men’s Basketball Athletics	(27)
Men’s Soccer	393
Track and Field	(350)
Softball Fund	843
Women’s Basketball	449
Women’s Soccer	1,261
Women’s Tennis	1,855
Wrestling	<u>323</u>
Total Athletics	<u>\$ 9,827</u>

DEPARTMENTS AND CLUBS – OTHER

Automotive Department	\$ (101)
Child Development	2,533
Clothing Construction	40
CNSA of Victor Valley College	126
Fire Technology	3,913
Model UN Club	(6,807)
PAC	(670)
Paramedic Academy	4,627
Restaurant Management – General	199
Restaurant Management – Operations	6,930
Student Services	798
Tech Camp	14,797
Theatre Arts Department	76
Women’s History Month	(50)
Welding	<u>2,215</u>
Total Departments and Clubs – Other	<u>\$ 28,626</u>

SUPPLEMENTARY INFORMATION

Victor Valley Community College District Foundation

(A Non-Profit Organization)

Schedule of Functional Expenses For the Year Ended June 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Support Services – Fundraising</u>	<u>TOTAL</u>
Accounting fees	\$ -	\$ 8,000	\$ -	\$ 8,000
Admission / entry fees	6,612	725	-	7,337
Advertising	920	48	-	968
Awards and recognition	23,324	-	11,193	34,517
Bad debt	850	-	17,275	18,125
Catering	18,891	-	30,175	49,066
Commissions	2,040	960	-	3,000
Consultants	-	5,955	-	5,955
In-kind donations transferred to college	26,452	-	-	26,452
Depreciation	-	3,085	-	3,085
Dues and subscriptions	1,265	3,360	-	4,625
Education and training	1,045	750	-	1,795
Equipment and supply expenditures	79,676	28,379	-	108,055
Event entertainment	-	-	19,950	19,950
Facilities and decorations	-	-	22,143	22,143
Finance, broker, bank and other fees	4,379	-	-	4,379
Grants awarded	414,427	-	-	414,427
Hospitality	3,499	-	3,092	6,591
Insurance	-	170	-	170
Licenses and fees	-	180	-	180
Meals and entertainment	1,421	3,855	-	5,276
Meetings and seminars	5,850	-	-	5,850
Office staffing	146,724	127,449	-	274,173
Office / computer	1,457	6,939	-	8,396
Outside labor	31,839	-	-	31,839
Postage	1,733	-	7,555	9,288
Printing	27,923	-	14,203	42,126
Professional fees	13,278	-	41,631	54,909
Program development	-	-	1,925	1,925
Refund	140	-	-	140
Repairs and maintenance	78	-	-	78
Scholarships	417,662	-	-	417,662
Travel	<u>27,546</u>	<u>4,147</u>	<u>791</u>	<u>32,484</u>
	<u>\$ 1,259,031</u>	<u>\$ 194,002</u>	<u>\$ 169,933</u>	<u>\$ 1,622,966</u>