"Giving Opportunities to People with Dreams"

VICTOR VALLEY COLLEGE FOUNDATION

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2013 and 2012

SM&Co
Smith Marion
& Company, LLP
Certified Public Accountants

TABLE OF CONTENTS

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying statements of financial position of Victor Valley Community College District Foundation (a nonprofit organization) as of June 30, 2013 and 2012 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Victor Valley Community College District Foundation as of June 30, 2013 and 2012, and 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.

Smith Marion & Co.

November 08, 2013

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT FOUNDATION
(A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 594,035	$ 898,955
Short-term investments	26,567	26,353
Investment - scholarship endowment	224,000	224,000
Investment - other	10,000	-
Pledges and grants receivable, net	68,289	58,610
Nursing loans receivable, net	5,700	34,757
TOTAL CURRENT ASSETS	928,591	1,242,675
LONG-TERM ASSETS		
Long-term investments	1,646,033	1,061,781
Property and equipment:		
Donated airplane	460,000	460,000
Donated land	1,845,000	1,845,000
Equipment	40,138	40,138
Less accumulated depreciation	(35,450)	(34,110)
	2,309,688	2,311,028
TOTAL LONG-TERM ASSETS	3,955,721	3,372,809
TOTAL ASSETS	$ 4,884,312	$ 4,615,484
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 27,634	$ 281
Joseph B. Campbell Scholarship	600	600
TOTAL CURRENT LIABILITIES/TOTAL LIABILITIES	28,234	881
NET ASSETS		
Unrestricted	2,976,111	2,825,112
Temporarily restricted	622,172	802,071
Permanently restricted	1,257,795	987,420
TOTAL NET ASSETS	4,856,078	4,614,603
TOTAL LIABILITIES AND NET ASSETS	$ 4,884,312	$ 4,615,484

The accompanying notes are an integral part of these financial statements.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT FOUNDATION

(A Non-Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND GAINS:				
Donations	$ 35,029	$ 543,137	$ 206,375	$ 784,541
In-kind donations	6,910	196,287	-	203,197
Event and other revenue	269,531	-	-	269,531
Membership dues	67,633	-	-	67,633
Interest and dividend income	27,264	13,737	-	41,001
Unrealized gain (loss) on investments	39,642	-	-	39,642
TOTAL REVENUES AND GAINS	446,009	753,161	206,375	1,405,545
NET ASSETS RELEASED FROM RESTRICTIONS:				
Net assets released from restrictions	869,060	(869,060)		-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,315,069	(115,899)	206,375	1,405,545
ALLOCATIONS AND EXPENSES:				
Program services	884,420	-	-	884,420
Management and general	130,238	-	-	130,238
Support services - fundraising	149,412	-	-	149,412
TOTAL ALLOCATIONS AND EXPENSES	1,164,070	-	-	1,164,070
INCREASE (DECREASE) IN NET ASSETS	150,999	(115,899)	206,375	241,475
NET ASSETS AT BEGINNING OF YEAR	2,825,112	802,071	987,420	4,614,603
Transfer of funds		(64,000)	64,000	
NET ASSETS AT END OF YEAR	$ 2,976,111	$ 622,172	$ 1,257,795	$ 4,856,078

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT FOUNDATION

(A Non-Profit Organization)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND GAINS:				
Donations	$ 71,967	$ 464,082	$ 37,000	$ 573,049
In-kind donations	3,000	90,256	-	93,256
Event and other revenue	134,739	-	-	134,739
Membership dues	79,789	-	-	79,789
Interest and dividend income	24,547	260	-	24,807
Unrealized gain (loss) on investments	16,588	-	-	16,588
TOTAL REVENUES AND GAINS	330,630	554,598	37,000	922,228
NET ASSETS RELEASED FROM RESTRICTIONS:				
Net assets released from restrictions	359,936	(359,936)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	690,566	194,662	37,000	922,228
ALLOCATIONS AND EXPENSES:				
Program services	638,463	-	-	638,463
Management and general	151,087	-	-	151,087
Support services - fundraising	64,444	-	-	64,444
TOTAL ALLOCATIONS AND EXPENSES	853,994	-	-	853,994
INCREASE (DECREASE) IN NET ASSETS	(163,428)	194,662	37,000	68,234
NET ASSETS AT BEGINNING OF YEAR	2,988,540	607,409	950,420	4,546,369
NET ASSETS AT END OF YEAR	$ 2,825,112	$ 802,071	$ 987,420	$ 4,614,603

The accompanying notes are an integral part of these financial statements.

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT FOUNDATION
(A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Management and General	Support Services-Fundraising	Total
Accounting	$ -	$ 4,100	$ -	$ 4,100
Admission/entry fees	9,821	-	3,531	13,352
Advertising	8,356	1,486	6,905	16,747
Awards and recognition	9,153	13,458	13,634	36,245
Bad debt	29,057	24,221	5,600	58,878
Bank and broker charges	143	1,389	63	1,595
Catering	9,068	6,560	2,270	17,898
Commissions	-	-	7,666	7,666
Consultants	-	6,561	-	6,561
Contributions and donations	1,000	144	1,000	2,144
Depreciation	1,340	-	-	1,340
Dues and subscriptions	1,652	4,757	-	6,409
Education and training	13,400	2,895	-	16,295
Equipment and supply expenditures	77,515	183	13,865	91,563
Event entertainment	-	-	20,970	20,970
Facilities and decorations	153,203	4,407	22,680	180,290
Grants awarded	177,853	-	-	177,853
Hospitality	1,113	5,032	3,705	9,850
Insurance	-	1,823	1,312	3,135
Licenses and fees	105	3,521	420	4,046
Meals and entertainment	203	2,001	641	2,845
Office staffing	14,773	7,637	-	22,410
Office/computer	1,132	9,024	609	10,765
Outside Labor	40,135	-	1,651	41,786
Postage	6	1,663	114	1,783
Printing	11,541	4,683	28,764	44,988
Professional fees	11,461	12,700	11,493	35,654
Refund	1,823	-	500	2,323
Repairs and maintenance	11,067	125	-	11,192
Scholarships	271,161	-	1,000	272,161
Taxes	-	3,506	-	3,506
Telephone	-	1,200	-	1,200
Travel	28,339	6,816	660	35,815
Utilities	-	346	359	705
	$ 884,420	$ 130,238	$ 149,412	$ 1,164,070

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT FOUNDATION
(A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Management and General	Support Services-Fundraising	Total
Admission/entry fees	$ 9,409	$ -	$ 1,000	$ 10,409
Advertising	-	758	75	833
Awards and recognition	12,645	6,474	6,517	25,636
Bad debt	-	29,400	1,300	30,700
Bank and broker charges	35	3,510	-	3,545
Catering	18,218	1,120	15,702	35,040
Consultants	-	4,629	-	4,629
Contributions and donations	410	-	-	410
Depreciation	-	670	-	670
Dues and subscriptions	1,945	3,633	-	5,578
Education and training	5,970	2,833	-	8,803
Equipment and supply expenditures	125,085	-	150	125,235
Event entertainment	-	-	19,500	19,500
Facilities and decorations	14,246	2,118	7,573	23,937
Grants awarded	41,300	-	-	41,300
Hospitality	1,634	1,734	1,179	4,547
Insurance	-	2,828	-	2,828
Licenses and fees	5	7,565	-	7,570
Meals and entertainment	684	1,187	134	2,005
Office staffing	62,421	49,534	-	111,955
Office/computer	578	9,823	934	11,335
Outside Labor	5,632	-	-	5,632
Postage	261	2,635	292	3,188
Printing	6,905	5,260	3,765	15,930
Professional fees	11,955	12,506	4,823	29,284
Repairs and maintenance	2,092	711	-	2,803
Scholarships	272,314	-	1,500	273,814
Travel	44,719	2,159	-	46,878
	$ 638,463	$ 151,087	$ 64,444	$ 853,994

VICTOR VALLEY COMMUNITY COLLEGE DISTRICT FOUNDATION

(A Non-Profit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATIONS		
Increase in net assets	$ 241,475	$ 68,234
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Non-Cash Items:		
Depreciation	1,340	670
Unrealized gain	(39,642)	(16,588)
(Increase) Decrease in:		
Pledges and grants receivables	(9,679)	(6,589)
Nursing loans receivable	29,057	(3,000)
Increase (Decrease) in:		-
Accounts, salaries and scholarships payable	(27,353)	10,753
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	195,198	53,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment-scholarship endowment	-	(204,000)
Net change in investments	(500,118)	(67,943)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(500,118)	(271,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of fixed asset	-	(6,698)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	(6,698)
NET INCREASE (DECREASE) IN CASH	(304,920)	(225,161)
CASH AT BEGINNING OF YEAR	898,955	1,124,116
CASH AT END OF YEAR	$ 594,035	$ 898,955

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. The Foundation also develops resources and makes grants to support college educational programs.

Basis of Accounting

The Foundation maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(1) *Unrestricted Net Assets* – these generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

(2) *Temporarily Restricted Net Assets* – the Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

(3) *Permanently Restricted Net Assets* – these net assets are received from donors who stipulate that resources are to be maintained permanently, but permits the Foundation to expend all of the income (or other economic benefits) derived from the donated assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (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.

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.

Functional Allocation of Expenses

Costs of providing Victor Valley Community College District Foundation 's programs and activities are presented in the Statement of Functional Expenses. The Foundation classifies portions to general and administrative and fundraising based on the costs associated with the respective categories.

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.

Investments
Investments are carried at fair value.

Property and Equipment
Purchased property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives ranging from five to ten years. Expenditures for items costing over $1,000 is capitalized.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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 23701(d).

Management believes that all of the positions taken by the Foundation, in its federal and state income tax returns, are more likely than not to be sustained upon examination. Victor Valley Community College District Foundation files returns in the U.S. Federal jurisdiction and the State of California. The Foundation's federal income tax returns for tax years 2010 and beyond remain subject to examination by the Internal Revenue Service. The Foundation's California income tax returns for 2009 and beyond remain subject to examination by the Franchise Tax Board.

Disclosure About Fair Value of Assets and Liabilities
Victor Valley Community College District Foundation adopted the standard for Fair Value Measurements. The Accounting principle for fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

The Foundation defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards three levels of inputs that may be used to measure fair value:

> **Level 1:** Observable prices in active markets for identical assets or liabilities.
> **Level 2:** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.
> **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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 uncollectable amounts through reduction in revenues related to those uncollectible amounts.

Pledges receivable consisted of the following:

	6/30/13	6/30/12
Receivables	$ 72,260	$ 62,246
Allowance for uncollectible pledges	(3,971)	(3,636)
Total pledges receivable	$ 68,289	$ 58,610

Nursing Loans Receivable

Nursing loans receivable were as follows:

	6/30/13	6/30/12
Receivables	$ 6,000	$ 40,361
Allowance for uncollectible loans	(300)	(5,604)
Total loans receivable	$ 5,700	$ 34,757

NOTE 3 – INVESTMENTS

At June 30, 2013 and 2012, investments consisted of the following:

	6/30/13	6/30/12
Mutual funds	$ 1,307,141	$ 1,061,781
Certificates of deposit	365,459	26,353
Total investments	$ 1,672,600	$ 1,088,134

NOTE 4 – CONCENTRATION OF CREDIT RISK

From time to time, the Foundation maintains bank balances in excess of the federally insured limits. This risk is mitigated by utilizing only highly rated financial institutions. At June 30, 2013 and 2012, the Foundation had approximately $151,000 and $461,900, respectively, in excess of the federally insured limit.

NOTE 5 – ENDOWMENT FUNDS

Victor Valley Community College District Foundation Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA), as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. Accordingly, the Foundation classifies as permanently restricted net assets a) the original value of the gifts donated to permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made 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 SPMIFA. In accordance with SPMIFA, The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the various funds, 2) the purposes of the donor-restricted endowment funds, 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, and 7) The Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. Victor Valley Community College District Foundation 's investment policy stipulates that a prudent portion of monies are to be placed in interest-bearing accounts, to maximize the potential earnings on the gifts. The general rule for acceptable investments for the aggregated endowment funds (federal and non-federal) are savings accounts or in low-risk securities in which a regulated insurance company may invest under the law of the State in which the institution is located. This typically includes "savings accounts" such as a federally insured bank savings account, a comparable interest bearing account offered by a bank, or a money market fund. "Low-risk securities" includes certificates of deposit, mutual funds, stocks, or bonds.

Spending Policy. Income from the endowment may be spent for costs necessary to operate the Foundation, including general operating and maintenance costs, costs to administer and manage the endowment fund, and costs associated with buying and selling securities, such as stockbroker commissions and fees to "load" mutual funds. Income from the endowment cannot be spent for a school or department of divinity or any religious worship or sectarian activity, an activity that is inconsistent with a State plan for desegregation applicable to the grantee, or an activity that is inconsistent with a State plan applicable to the grantee.

Endowment net assets composition by type of fund as of June 30, 2013 and 2012 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013:			
Endowment Funds	$ 162,981	$ 1,257,795	$ 1,420,776
June 30, 2012:			
Endowment Funds	$ 270,114	$ 987,420	$ 1,257,534

NOTE 5 – ENDOWMENT FUNDS, continued

The changes in endowment net assets for the years ended June 30, 2013 and 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
June 30, 2013:			
Endowment net assets, beginning of year	$ 270,114	$ 987,420	$ 1,257,534
Contributions		206,375	206,375
Transfer of funds	(64,000)	64,000	
Investment return:			
Investment income	13,737		13,737
Net depreciation of investment	(56,870)		(56,870)
Endowment net assets, end of year	$ 162,981	$ 1,257,795	$ 1,420,776
June 30, 2012:			
Endowment net assets, beginning of year	$ 218,079	$ 950,420	$ 1,168,499
Contributions	64,000	37,000	101,000
Transfer of funds			
Investment return:			
Investment income	2,390		2,390
Net depreciation of investment	(14,355)		(14,355)
Endowment net assets, end of year	$ 270,114	$ 987,420	$ 1,257,534

NOTE 6 – RESTRICTIONS ON NET ASSETS

The detail of temporarily and permanently restricted net assets as of June 30, 2013 is as follows:

Net assets released from restrictions during year ending 6/30/2013 were comprised of the following:

Funds available for the year	$ 342,531
Purchase of equipment and supplies	77,515
Scholarships provided	271,161
Grants awarded	177,853
	$ 869,060

Temporarily restricted net assets at June 30, 2013, are available for the following purposes:

Available for future periods	$ 364,195
Available for scholarships	94,996
Investment return on permanently restricted net assets not yet appropriated for expenditure	162,981
	$ 622,172

Permanently restricted net assets consisted of the following at June 30, 2013:

Endowment funds	$ 1,257,795
	$ 1,257,795

NOTE 7 – RECLASSIFICATION

A transfer of $64,000 was made during the current year from temporarily restricted to permanently restricted to properly state ending balances.

NOTE 8 – FAIR VALUE MEASUREMENTS

Fair value measurements for assets reported at fair value on a recurring basis were determined based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level3)
Short-term investments				
Certificates of deposit	$ 26,567	$ 26,567	$ -	$ -
Total short-term investments	$ 26,567	$ 26,567	$ -	$ -
Long-term investments				
Cash and cash equivalents	$ 365,259	$ 365,259	$ -	$ -
Equity securities				
Domestic	528,934	528,934	-	-
Debt securities				
Corporate bonds	751,840	751,840	-	-
Total long-term investments	$ 1,646,033	$ 1,646,033	$ -	$ -

NOTE 9 – SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated activity of the Foundation through November 08, 2013, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

* * *