



Financial Statements  
June 30, 2023

# San Diego Community College Auxiliary Organization

(A Component Unit of San Diego Community College District)

# San Diego Community College Auxiliary Organization

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June 30, 2023

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## Independent Auditor's Report

To the Board of Directors  
San Diego Community College Auxiliary Organization  
San Diego, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the San Diego Community College District Auxiliary Organization (the Organization), a component unit of the San Diego Community College District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the San Diego Community College District Auxiliary Organization, as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the History and Organization, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.



Rancho Cucamonga, California  
January 17, 2024

## INTRODUCTION

This section of the San Diego Community College Auxiliary Organization's (the Organization) financial statements presents the analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the financial statements, which follow this section.

The Organization's general operations are supported by distributions from the Organization's endowment trust. These funds are used for District and campus support activities.

## FINANCIAL HIGHLIGHTS

The Organization's current liabilities decreased \$199,718 or 16% during the course of the fiscal year ended June 30, 2023, due primarily to a decrease in contributions to the San Diego Promise Endowment in support of student scholarships. The Organization's Operating Revenues increased \$522,630 or 181% due primarily to an increase in transfers from The San Diego Foundation Endowment.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The component unit financial statements include the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), History and Organization, and financial statements with accompanying notes. Operating activities and nonoperating activities are presented separately on the Statement of Revenues, Expenses, and Changes in Net Position and the Statements of Cash Flows are presented using the direct method.

## REQUIRED FINANCIAL STATEMENTS

The financial statements of the Organization report information about the Organization using accounting methods similar to those used by private sector companies. The following statements offer short-term and long-term financial information about its activities:

- The Statement of Net Position includes all of the Organization's assets and liabilities as of June 30, 2023, and provides information about the nature and amounts of investments in resources (assets) and the obligation to the Organization's creditors (liabilities). Net position is the difference between assets, and liabilities is one way to measure the financial health of the Organization.
- The Statement of Revenues, Expenses, and Changes in Net Position accounts for all of the Organization's revenues and expenses for the year ended June 30, 2023. This statement reflects the results of the Organization's operations over the year and can be used to determine the Organization's ability to successfully recover all its costs through service fees and other charges.
- The Statement of Cash Flows is required to provide information about the Organization's cash receipts and cash payments during the year ended June 30, 2023. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to the questions of where cash came from, what cash was used for and what the changes in cash were for the reporting period covered.

**Table 1**  
**Condensed Statement of Net Position**

	<u>2023</u>	<u>2022</u>	<u>Net Change</u>	<u>% Change</u>
<b>Assets</b>				
Cash and investments	\$ 1,904,413	\$ 1,843,869	\$ 60,544	3%
Other current assets	<u>24,110</u>	<u>953</u>	<u>23,157</u>	<u>2430%</u>
Total assets	<u>1,928,523</u>	<u>1,844,822</u>	<u>83,701</u>	<u>5%</u>
<b>Liabilities</b>				
Current liabilities	<u>1,071,283</u>	<u>1,271,001</u>	<u>(199,718)</u>	<u>-16%</u>
<b>Net Position</b>				
Unrestricted	<u>\$ 857,240</u>	<u>\$ 573,821</u>	<u>\$ 283,419</u>	<u>49%</u>

Overall operating results for the year show an increase to net position of around 49%.

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>Net Change</u>	<u>% Change</u>
Total Operating Revenues	\$ 812,096	\$ 289,466	\$ 522,630	181%
Total Operating Expenses	<u>572,254</u>	<u>570,288</u>	<u>1,966</u>	<u>0%</u>
Operating income (loss)	<u>239,842</u>	<u>(280,822)</u>	<u>520,664</u>	<u>-185%</u>
Income from Investments	<u>43,577</u>	<u>6,350</u>	<u>37,227</u>	<u>586%</u>
Changes in Net Position	<u>283,419</u>	<u>(274,472)</u>	<u>557,891</u>	<u>-203%</u>
Beginning Net Position	<u>573,821</u>	<u>848,293</u>	<u>(274,472)</u>	<u>-32%</u>
Ending Net Position	<u>\$ 857,240</u>	<u>\$ 573,821</u>	<u>\$ 283,419</u>	<u>49%</u>

The Organization realized a change in net position of \$557,891.

**CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT**

This financial report was designed to provide a general overview of the Organization's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Vice Chancellor, Business and Technology Services, San Diego Community College District, 3375 Camino del Rio South, Room 210, San Diego, CA 92108.



The San Diego Community College Auxiliary Organization was formed in 1990 to promote and assist the educational programs of the San Diego Community College District in accordance with the mission, policies and priorities of the District as administered by the District Chancellor.

**BOARD OF DIRECTORS**

Dr. P. Wesley Lundberg	Chair, President, Miramar College
Dr. John Crocitti	Vice Chair, Academic Senate President, Mesa College
Dr. Kelly Hall	Secretary/Treasurer, Executive Business Officer
Gregory A. Smith	Acting Chancellor, San Diego Community College District
Dr. Ricky Shabazz	President, City College
Dr. Tina M. King	President, Continuing Education
Dr. Ashanti Hands	President, Mesa College
Dr. Susan Topham	Executive Instruction Officer
Dr. María-José Zeledón-Pérez Chair	Academic Senate President, City College
Paul Martin	Academic Senate President, Miramar College
John Bromma	Academic Senate President, Continuing Education

San Diego Community College Auxiliary Organization  
Statement of Net Position  
June 30, 2023

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Assets

Cash and cash equivalents	\$ 470,733
Investments	1,433,680
Accounts receivable	<u>24,110</u>
Total assets	<u><u>\$ 1,928,523</u></u>

Liabilities

Accounts payable	\$ 17,233
Unearned revenue	65,807
Amounts held for others	<u>988,243</u>
Total liabilities	<u><u>1,071,283</u></u>

Net Position

Unrestricted	<u><u>\$ 857,240</u></u>
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San Diego Community College Auxiliary Organization  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2023

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Operating Revenues	
Local contributions	\$ 77,903
Transfer from the San Diego Foundation	<u>734,193</u>
Total operating revenues	<u>812,096</u>
Operating Expenses	
Contract services and operating expenses	115,262
District support and Promise scholarships	456,678
Supplies, materials and minor equipment	<u>314</u>
Total operating expenses	<u>572,254</u>
Total operating income	239,842
Nonoperating Revenues	
Income from investments	<u>43,577</u>
Change In Net Position	283,419
Net Position, Beginning of Year	<u>573,821</u>
Net Position, End of Year	<u><u>\$ 857,240</u></u>

## San Diego Community College Auxiliary Organization

Statement of Cash Flows  
Year Ended June 30, 2023

Operating Activities	
Cash received from others	\$ 812,096
Other cash payments	(181,915)
Cash support provided to District and Campuses	(590,057)
Net cash flows from operating activities	<u>40,124</u>
Investing Activities	
Purchase of investments	(205,304)
Interest received from investments	20,420
Net cash flows from investing activities	<u>(184,884)</u>
Change In Cash and Cash Equivalents	(144,760)
Cash and Cash Equivalents, Beginning of Year	<u>615,493</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 470,733</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating Income	\$ 239,842
Change in assets and liabilities	
Accounts receivable	
Amounts held for others	(169,819)
Accounts payable	(17,803)
Unearned revenue	(12,096)
Net Cash Flows from Operating Activities	<u><u>\$ 40,124</u></u>

**Note 1 - Summary of Significant Accounting Policies****Organization**

The financial statements of the San Diego Community College Auxiliary Organization (the Organization) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Organization are described below:

The San Diego Community College Auxiliary Organization was formed as a California nonprofit public benefit corporation in 1990 pursuant to the general nonprofit corporation laws of the state of California as an auxiliary organization of the San Diego Community College District (the District) in accordance with the provisions of §72670 of the California *Education Code* for the primary purpose of promoting and assisting the programs of the District.

The Organization has its own board of directors composed of District faculty and administrators; however, the District maintains oversight responsibility for the Organization as carried out by the District Chancellor in accordance with the provisions of §72670 of the California *Education Code*. Since the District significantly influences its operations, the Organization's financial statements are included in the District's financial statements as a blended component unit. Should the Organization be dissolved, its assets remaining after payment of liabilities shall be distributed to the District.

**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.

**Financial Statement Presentation**

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles as described by GASB. The financial statement presentation required by the GASB statements provides a comprehensive perspective of the Organization's financial activities. The Organization's financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

For financial reporting purposes, the Organization is considered a special-purpose government engaged in business-type activities. The Organization's financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which they are incurred.

Operating revenues are those revenues that are generated from the primary operations of the organization. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the Organization. All other expenses are reported as nonoperating expenses.

### **Income Taxes**

The Organization is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private organization. The Organization is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code and is registered with the California Attorney General as a charity.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Organization did not have any net unrelated business income for the period ended June 30, 2023. It is management's belief that the Organization does not hold any uncertain tax positions that would materially impact the financial statements. The Organization's information and/or tax returns are subject to examination by the regulatory authorities for up to four years from the date of filing.

### **Cash and Cash Equivalents**

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

Investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value, including money market investments and participating interest-earning investment contracts with original maturities greater than one year, are stated at cost or amortized cost.

### **Unearned Revenue**

Unearned revenues arise when resources are received by the Organization before it has a legal claim to them, such as when certain revenues are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the Organization has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Unearned revenue is primarily composed of revenues received for use in supporting the departments within the San Diego Community College District, however, the departments have not yet incurred qualifying expenditures for reimbursement.

### **Exchange and Nonexchange Revenue**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Organization receives value without directly giving equal value in return, include donations made to the programmatic activities of the Organization. For the year ended June 30, 2023, the San Diego Foundation transferred \$734,193 to the Organization.

### Transfers from the San Diego Foundation

The San Diego Foundation makes annual transfers from its endowment trust funds to the Organization in accordance with the San Diego Foundation's investment and distribution policies. The trust funds at the San Diego Foundation were valued at \$36,196,867 as of June 30, 2023.

The San Diego Foundation's investment policy is to invest endowment funds in a diversified portfolio, which is structured for a long-term total return. To provide diversification and to moderate risk, investments are divided into carefully defined asset classes.

The San Diego Foundation's distribution policy allows for a 5.00% distribution annually, based upon endowment principal market value over the last 36 months at the request of the organization. The eligible distribution calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of the contributions made to the endowment principal, then distributions will be limited only to interest and dividends received.

### Note 2 - Cash and Investments

Cash and cash equivalents as of June 30, 2023 consisted of the following:

Checking	\$ 32,122
Savings and Money Market Funds	438,311
Petty Cash	300
	<hr/>
Total	<u>\$ 470,733</u>

### Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a policy for custodial credit risk for deposits. The Organization's deposits at California Coast Credit Union and San Diego County Credit Union, inclusive of all cash and cash equivalents, are federally insured by the National Credit Union Administration (NCUA). The Organization's deposits at CitiBank and in the Union Bank checking account, inclusive of all cash and cash equivalents, are federally insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2023, the Organization's deposits were not exposed to custodial credit risk as deposits held in interest-bearing accounts did not exceed the \$250,000 insurance limit. The Union Bank account became a US Bank business account and did not exceed \$250,000 insurance limit as of June 30, 2023.

### Investments

For the year ended June 30, 2023, all investments held in brokerage accounts were certificates of deposit.

**Note 3 - Accounts Receivable**

The accounts receivable balance as of June 30, 2023 was \$24,110.

The Organization has not historically had difficulty collecting amounts due; accordingly, no allowance for uncollectible accounts has been recorded.

**Note 4 - Related Party Transactions**

As described in Note 1, the Organization's purpose is to support the District's campuses and programs; therefore, transactions between the Organization and the District are expected. Per the Organization's Bylaws, certain colleges, continuing education, and district office personnel serve as members of the Organization's board of directors by virtue of their position at the San Diego Community College District.

The Organization paid \$102,717 for personnel costs and \$456,678 for support and scholarships to the District for the year ended June 30, 2023.

**Note 5 - Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The Organization does not have any employees therefore does not carry worker's compensation insurance. For general liabilities, the Organization is covered under the District's self-insurance program.





Independent Auditor's Report  
June 30, 2023

# San Diego Community College District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Board of Directors  
San Diego Community College Auxiliary Organization  
San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of the San Diego Community College Auxiliary Organization (the Organization), a component unit of the San Diego Community College District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization’s basic financial statements and have issued our report thereon dated January 17, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California  
January 17, 2024