SAN BERNARDINO VALLEY COLLEGE FOUNDATION

AUDIT REPORT

June 30, 2011

christy white

A PROFESSIONAL ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Bernardino Valley College Foundation
San Bernardino, California

We have audited the accompanying statement of financial position of San Bernardino Valley College Foundation (the "Foundation"), as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of San Bernardino Valley College Foundation'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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 San Bernardino Valley College Foundation as of June 30, 2011, 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.

Christy White Accountancy Corporation

San Diego, California
January 05, 2012

SAN BERNARDINO VALLEY COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS		
Cash and cash equivalents	$	158,165
Investments		2,294,706
Beneficial interest in CCCS endowment		347,824
Total assets	$	2,800,695
LIABILITIES AND NET ASSETS		
Net assets		
Unrestricted	$	154,536
Temporarily restricted		1,174,867
Permanently restricted		1,471,292
Total net assets		2,800,695
Total liabilities and net assets	$	2,800,695

The notes to the financial statements are an integral part of this statement.

SAN BERNARDINO VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contribution income	$ (49,074)	$ 496,881	$ 160,845	$ 608,652
Special event proceeds	48,319	-	-	48,319
Investment earnings				
Interest and dividends	13,213	44,235	5,698	63,146
Appreciation (losses) on investment	70,031	234,450	18,402	322,883
Earnings endowed by donor	-	(116,000)	116,000	-
Reclassification of net assets	4,147	(5,017)	870	-
Net assets released from restriction	627,299	(627,299)	-	-
Total support and revenues	713,935	27,250	301,815	1,043,000
OPERATING EXPENSES				
Program services				
Scholarships	197,508	-	-	197,508
Valley Bound	237,953	-	-	237,953
Other programs	88,984	-	-	88,984
Total program services	524,445	-	-	524,445
Supporting services				
Management and general	118,695	-	-	118,695
Fundraising	60,988	-	-	60,988
Total supporting services	179,683	-	-	179,683
Total operating expenses	704,128	-	-	704,128
Change in net assets	9,807	27,250	301,815	338,872
Net assets at beginning of year	144,729	1,147,617	1,169,477	2,461,823
Net assets at end of year	$ 154,536	$ 1,174,867	$ 1,471,292	$ 2,800,695

The notes to the financial statements are an integral part of this statement.

SAN BERNARDINO VALLEY COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services				Management		
	Scholarships	Valley Bound	Other	Total	and General	Fundraising	Total
OPERATING EXPENSES							
Grants to students and programs	$ 124,926	$ 131,910	$ 78,397	$ 335,233	$ 14,661	$ -	$ 349,894
Salaries and benefits	57,954	21,175	10,587	89,716	89,439	57,677	236,832
Professional fees	14,628	84,868	-	99,496	10,992	97	110,585
Advertising and promotion	-	-	-	-	-	913	913
Office expenses	-	-	-	-	2,692	864	3,556
Information technology	-	-	-	-	165	588	753
Conferences and meetings	-	-	-	-	746	849	1,595
Total operating expenses	$ 197,508	$ 237,953	$ 88,984	$ 524,445	$ 118,695	$ 60,988	$ 704,128

The notes to the financial statements are an integral part of this statement.

SAN BERNARDINO VALLEY COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	338,872
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net (gains) losses on investment		(386,029)
Net cash provided by (used in) operating activities		(47,157)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments		194,837
Contributions to endowment fund		(113,724)
Net cash provided by (used in) investing activities		81,113
Net increase (decrease) in cash		33,956
Beginning cash and cash equivalents		124,209
Ending cash and cash equivalents	$	158,165

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

San Bernardino Valley College Foundation (the "Foundation"), located in San Bernardino County, was formed as a California nonprofit public corporation on March 6, 1973. The Foundation supports the San Bernardino Community College District (the "District") by fundraising for and administering the payment of student scholarships and support for other educational programs of San Bernardino Valley College (the "College"). In addition, the Foundation oversees the Valley Bound Commitment program, which serves to remove economic barriers and improve achievement for low income students from the San Bernardino Valley area. The Foundation is supported primarily through public donations, grants, and investment income.

B. 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, such as depreciation expense and the net book value of capital assets. Accordingly, actual results could differ from those estimates.

C. Functional Expenses

The costs of providing services have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

D. Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Financial Statement Presentation

The Foundation is required to report 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. Unrestricted net assets include all resources available for use by the Board of Directors and management's discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. 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. Permanently restricted net assets are generally required to be held by the Foundation in perpetuity while the earnings on those assets are available for use by the Foundation to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Foundation's financial statement presentation.

F. Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the Foundation if not donated.

G. Income Taxes

The Foundation is a 509(a)(3) 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 foundation. The Foundation is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation did not have any unrelated business income for the year ended June 30, 2011. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

The Foundation has not adopted a policy to capitalize significant asset purchases in conformance with generally accepted accounting principles because the Foundation does not own, nor does it have plans to acquire property or equipment. The property and equipment used by the Foundation in its operations are owned by the District.

I. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

J. Cash and Cash Equivalents

The Foundation considers all highly liquid deposits and investments with an original maturity of less than ninety days to be cash equivalents.

K. Investments

The Foundation's method of accounting for investments is the fair value method. Fair value is determined by published quotes when they are readily available. Adjustments to fair values are included in the accompanying statement of financial position and statement of activities.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fair Value Measurements

The Fair Value Measurements Topic of the FASB *Accounting Standards Codification* establishes a fair value hierarchy that prioritizes 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 the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

M. Recent Accounting Pronouncements

In January 2010, the FASB issued guidance that clarifies existing disclosures and requires new disclosures about fair value measurements. The clarifications and the requirement to disclose the amounts and reasons for significant transfers between Level 1 and Level 2 and significant transfers into and out of Level 3 of the fair value hierarchy are effective for periods beginning after December 15, 2009.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2011, consist of cash in checking and savings totaling $158,165.

Cash in Bank

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a policy for custodial credit risk for deposits. Through December 31, 2012, the FDIC insures 100% of non-interest bearing accounts and up to $250,000 per depositor of interest bearing accounts per insured bank. As of June 30, 2011, the Foundation was not exposed to custodial credit risk as there were no deposits over $250,000 at any one insured bank.

NOTE 3 – ENDOWMENT

The Foundation's endowment assets are segregated into two funds: (1) named/endowed scholarship funds and (2) the CCCS Endowment fund.

Named/endowed Scholarship Funds

The Foundation will establish a named/endowed scholarship fund for the benefit of students and student programs at the bequest of a donor who agrees to make an initial permanently restricted contribution of $5,000. Following the creation of the fund, scholarships and program support will be awarded in perpetuity from the earnings on the endowed funds and any accumulations thereof. As of June 30, 2011, the Foundation held 110 separate named/endowed funds totaling $1,981,946.

The Foundation's Board of Directors is charged with the responsibility for management of the endowed assets. To assist in carrying out this duty, the Foundation has adopted an investment policy that prioritizes preservation of capital, risk aversion, and adherence to investment discipline as its major tenets. To enact this policy, the Foundation's investment strategy emphasizes total return, with a focus on long-term growth of capital while avoiding excessive risk and maintaining sufficient liquidity. The Foundation has adopted a spending policy that specifies expenses shall not exceed 5% of the average net assets over the past three years ending June 30 of the preceding fiscal year.

The Foundation's Board of Directors interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, as requiring the preservation of fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the donation and (b) earnings on endowed gifts that are directed to be endowed by the original donor or the designated representative of the donor to which the Foundation makes annual reports. Earnings on endowed funds are classified as temporarily restricted net assets until such time as the Board of Directors' adopts a resolution for appropriation. The funds will be released from restriction in conformance with the use and/or time restrictions specified in the Board's resolution.

NOTE 3 – ENDOWMENT (continued)

Named/endowed Scholarship Funds (continued)

The change in the named/endowed scholarship fund balance by net asset classification during the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2010	$ -	$ 693,319	$ 959,477	$ 1,652,796
Balance reclassification	-	(870)	870	-
Balance - July 1, 2010 (Restated)	-	692,449	960,347	1,652,796
Contributions	-	-	99,751	99,751
Investment income	-	44,235	-	44,235
Net appr(depr)eciation in investments	-	234,450	-	234,450
Earnings endowed by donor	-	(6,000)	6,000	-
Appropriated for expenditure	-	(49,286)	-	(49,286)
Balance - June 30, 2011	$ -	$ 915,848	$ 1,066,098	$ 1,981,946

CCCS Endowment fund

In May 2008, the California Community Colleges Scholarship Endowment (the "CCCS Endowment") was launched via a gift of $25 million from The Bernard Osher Foundation (the "Osher Foundation") to the Foundation for California Community Colleges (the "FCCC"). The FCCC and California's community colleges were challenged with raising an additional $50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to $25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California's community college system.

Based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation, the funds contributed by the Osher Foundation are permanently restricted assets of the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at San Bernardino Valley College and the accumulated earnings. As of June 30, 2011, the Foundation's beneficial interest in the CCCS Endowment totaled $347,824(see Note 4).

The Foundation's Board of Directors interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of California in 2009, as requiring the preservation of fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In relation to the CCCS Endowment, this interpretation extends to the earnings on the fund, less distributions for scholarships made in conformance with the aforementioned agreements as determined by the FCCC.

NOTE 3 – ENDOWMENT (continued)

CCCS Endowment fund (continued)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the value of endowed gifts as of the date of the donation, and (b) earnings on (a) less allowable distributions and fees. The distributions are recognized as income upon receipt of notification from the FCCC as to the amount and date of scheduled distributions and classified as temporarily restricted investment income.

The change in the CCCS Endowment fund balance by net asset classification during the year ended June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance - July 1, 2010	$ -	$ -	$ 210,000	$ 210,000
Contributions	-	-	13,724	13,724
Prior contribution reclassified by donor	-	-	100,000	100,000
Investment income	-	-	5,698	5,698
Net appr(depr)eciation in investments	-	-	18,402	18,402
Balance - June 30, 2011	$ -	$ -	$ 347,824	$ 347,824

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of assets measured on a recurring basis at June 30, 2011 is as follows:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Cash in checking	$ 59,342	n/a	$ -	$ -	$ -
Cash in sweep account	98,823	n/a	-	-	-
Total cash and cash equivalents	158,165				
Certificates of deposit	158,236	n/a	-	-	-
Equity securities	1,241,856	1,241,856	1,241,856	-	-
Bonds	894,614	894,614	894,614	-	-
Total investments	2,294,706				
Beneficial interest in FCCC endowment	347,824	347,824	-	-	347,824
	$2,800,695	$2,484,294	$2,136,470	$ -	$ 347,824

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Cash and cash equivalents

Cash held in banks is not subject to valuation. For cash equivalents (as defined in Note 1), carrying value approximates fair value because of the short maturities of those investments. At June 30, 2011, the Foundation did not hold any cash equivalents.

Investments

The Foundation classifies certificates of deposit with original maturities of ninety days or more as held-to-maturity investments, which are valued at cost plus accrued earnings, not fair value.

The Foundation classifies equity securities and bonds as trading securities. The fair values are determined based on quoted market prices.

Beneficial interest in FCCC endowment

The Foundation classifies its agreement with the FCCC as an irrevocable split interest agreement. The Foundation's beneficial interest in the CCCS Endowment is best valued using the income approach; however, present value of perpetual future distributions cannot be calculated. Generally accepted accounting principles indicate that the fair value of the beneficial interest can be approximated by the fair value of the CCCS Endowment, unless specific circumstances indicate otherwise. The Foundation's Board of Directors believes that no such circumstances exist; therefore, the beneficial interest is valued using the fair value of the fund. Although the fair value of investments held in the CCCS Endowment would qualify as Level 1 inputs, use of this value as an approximation for value under the income approach constitutes a Level 3 input.

NOTE 5 – DONATED MATERIALS AND SERVICES

The District contributes to the Foundation by providing facilities and equipment (see Note 1) and by paying the personnel costs of the Foundation's staff. Salaries and benefits for Foundation personnel totaled $236,832 for the year ended June 30, 2011.

During the year, many volunteers and students donate time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. These services have not been recorded in the financial statements of the Foundation because they do not meet the criteria required by generally accepted accounting principles.

NOTE 6 – RELATED PARTIES

As described in Note 1, the Foundation is exempt from federal income tax by the IRS as a supporting organization of the District; therefore, transactions between the Foundation and the District, District personnel, students at the College, and programs of the College, are expected. Per the Foundation's Bylaws, seven District or College personnel serve as ex-officio, non-voting members on the Foundation's Board of Directors by virtue of their position at the District or College.

During the year ended June 30, 2011 the Foundation indirectly supported the District by providing grants to students of the College, paying for programmatic expenditures, and/or reimbursing District personnel or other parties affiliated with the District or the College for appropriate programmatic costs. The Foundation's support totaled $335,233. The Foundation was directly supported by the District via use of facilities, equipment, and personnel (see Note 5).

The Foundation was further supported by contribution to and participation in the Foundation's programs by District and College personnel. The total amount of these contributions has not been segregated from non-District affiliated contributions.

NOTE 7 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events for the period from June 30, 2011 through January 05, 2012, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.