

**CYPRESS COLLEGE FOUNDATION**

**(A California Nonprofit Corporation)**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2015 AND 2014**

**CYPRESS COLLEGE FOUNDATION  
(A California Nonprofit Corporation)**

**JUNE 30, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Cypress College Foundation  
Cypress, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Cypress College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Foundation'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 Foundation'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 Cypress College Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of Cypress College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Cypress College Foundation's internal control over financial reporting and compliance.

Varrinck, Trini, Day & Co., LLP

Rancho Cucamonga, California  
December 1, 2015

**CYPRESS COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash - unrestricted	\$ 136,846	\$ 121,252
Noncurrent Assets		
Assets held by others	227,295	227,295
Investments - restricted	2,351,948	1,826,458
Total Noncurrent Assets	2,579,243	2,053,753
Total Assets	\$ 2,716,089	\$ 2,175,005
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ -	\$ 13,958
Due to North Orange County Community College District	33,746	32,996
Amounts held for others	152,485	161,833
Total Current Liabilities	186,231	208,787
<b>NET ASSETS</b>		
Unrestricted	(315,161)	(260,215)
Temporarily restricted	2,033,038	1,446,918
Permanently restricted	811,981	779,515
Total Net Assets	2,529,858	1,966,218
Total Liabilities and Net Assets	\$ 2,716,089	\$ 2,175,005

See the accompanying notes to financial statements.

**CYPRESS COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30,**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES</b>				
Contributions	\$ 179,501	\$ 725,242	\$ 20,179	\$ 924,922
Donated facilities	7,800	-	-	7,800
Special events	202,247	-	-	202,247
Miscellaneous revenue	17,594	3,886	-	21,480
Assets released from restrictions	272,792	(272,792)	-	-
Total Revenues	679,934	456,336	20,179	1,156,449
<b>EXPENSES</b>				
Operating expenses	49,178	-	-	49,178
Program expenses	590,013	-	-	590,013
Fundraising expenses	53,806	-	-	53,806
Total Expenses	692,997	-	-	692,997
<b>OTHER INCOME (EXPENSE)</b>				
Net unrealized gain (loss) distribution	(64,548)	64,548	-	-
Net unrealized gain (loss)	(23,523)	85,679	-	62,156
Net realized loss	-	(38,225)	-	(38,225)
Interest and dividends	76,257	-	-	76,257
Transfers	(30,069)	17,782	12,287	-
Total Other Income (Expense)	(41,883)	129,784	12,287	100,188
<b>CHANGE IN NET ASSETS</b>	(54,946)	586,120	32,466	563,640
<b>NET ASSETS, BEGINNING OF YEAR</b>	(260,215)	1,446,918	779,515	1,966,218
<b>NET ASSETS, END OF YEAR</b>	\$ (315,161)	\$ 2,033,038	\$ 811,981	\$ 2,529,858

See the accompanying notes to financial statements.

## 2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 178,910	\$ 251,243	\$ 6,130	\$ 436,283
7,800	-	-	7,800
186,833	-	-	186,833
902	5,859	-	6,761
297,886	(297,886)	-	-
<u>672,331</u>	<u>(40,784)</u>	<u>6,130</u>	<u>637,677</u>
23,176	-	-	23,176
599,404	-	-	599,404
51,889	-	-	51,889
<u>674,469</u>	<u>-</u>	<u>-</u>	<u>674,469</u>
(199,249)	199,249	-	-
219,294	(12,593)	-	206,701
-	(23,307)	-	(23,307)
46,486	-	-	46,486
(90,794)	85,401	5,393	-
<u>(24,263)</u>	<u>248,750</u>	<u>5,393</u>	<u>229,880</u>
(26,401)	207,966	11,523	193,088
(233,814)	1,238,952	767,992	1,773,130
<u>\$ (260,215)</u>	<u>\$ 1,446,918</u>	<u>\$ 779,515</u>	<u>\$ 1,966,218</u>

**CYPRESS COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 563,640	\$ 193,088
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized gain	(62,156)	(206,701)
Realized loss	38,225	23,307
Contributions restricted for long-term purposes	(745,421)	(257,373)
Changes in Assets and Liabilities		
Accounts payable	(13,958)	12,516
Due to North Orange County Community College District	750	11,001
Amounts held for others	(9,348)	(13,671)
Net Cash Flows From Operating Activities	(228,268)	(237,833)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(501,559)	(27,473)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions restricted for long-term purposes	745,421	257,373
<b>CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	15,594	(7,933)
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	121,252	129,185
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 136,846	\$ 121,252

See the accompanying notes to financial statements.



**CYPRESS COLLEGE FOUNDATION**  
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**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30,**

	2015			
	Operating	Program	Fundraising	Total
Salaries and benefits	\$ 12,695	\$ 169,261	\$ 29,621	\$ 211,577
Donated facilities	468	6,240	1,092	7,800
Bond campaign donation	25,000	-	-	25,000
Scholarships	-	262,141	-	262,141
Program expenses	-	4,464	-	4,464
Capital improvement and equipment	-	-	-	-
Conferences and travel	226	3,537	-	3,763
Dues, memberships, and subscriptions	66	880	154	1,100
Professional fees	505	6,740	1,180	8,425
Postage and printing	22	300	52	374
Investment expenses	792	12,405	-	13,197
Hospitality	237	3,166	554	3,957
Special events - other operating expenses	8,037	107,163	18,754	133,954
Supplies	335	4,462	780	5,577
Advertising	100	-	-	100
Miscellaneous	695	9,254	1,619	11,568
TOTAL EXPENSES	\$ 49,178	\$ 590,013	\$ 53,806	\$ 692,997

See the accompanying notes to financial statements.

2014

Operating	Program	Fundraising	Total
\$ 12,573	\$ 167,640	\$ 29,337	\$ 209,550
468	6,240	1,092	7,800
-	-	-	-
-	265,928	-	265,928
-	22,298	-	22,298
236	3,146	550	3,932
180	2,820	-	3,000
70	927	162	1,159
1,964	26,182	4,582	32,728
60	803	141	1,004
756	11,849	-	12,605
224	2,981	522	3,727
5,550	73,999	12,950	92,499
240	3,195	559	3,994
-	-	-	-
855	11,396	1,994	14,245
<u>\$ 23,176</u>	<u>\$ 599,404</u>	<u>\$ 51,889</u>	<u>\$ 674,469</u>

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

***NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Organization and Nature of Activities**

Cypress College Foundation (the Foundation) is a nonprofit organization founded in 1972 for the purpose of receiving contributions for the support and advancement of education on behalf of Cypress College (the College). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College.

**Financial Statement Presentation**

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the College are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the College as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

**Public Support and Revenue**

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

**Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis. Certain reclassifications may have been made to conform with the current year presentation.

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Donated Assets, Services, and Facilities**

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College.

**Use of Estimates**

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Foundation is a non-profit public benefit corporation that is exempt from 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 and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal informational tax returns for the years ended June 30, 2012, 2013, and 2014, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2011, 2012, 2013, and 2014, are open to audit by State authorities.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2015 and 2014, the Foundation did not have any cash balances held in financial institutions in excess of Federal depository insurance coverage.

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Investments**

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

**NOTE 2 - RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2015:

Scholarships	\$ 851,698
Student assistance	4,925
Title V Grant	1,163,153
Others	13,262
Total Temporarily Restricted Net Assets	\$ 2,033,038

Temporarily restricted net assets consist of the following at June 30, 2014:

Scholarships	\$ 384,779
Student assistance	8,383
Title V Grant	1,032,309
Others	21,447
Total Temporarily Restricted Net Assets	\$ 1,446,918

Permanently restricted net assets consist of the following at June 30, 2015:

Scholarships and programs for the College	\$ 584,686
Assets held by others	227,295
Total Permanently Restricted Net Assets	\$ 811,981

Permanently restricted net assets consist of the following at June 30, 2014:

Scholarships and programs for the College	\$ 552,220
Assets held by others	227,295
Total Permanently Restricted Net Assets	\$ 779,515

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**NOTE 3 - DONATED SERVICES**

During the year, many individuals, College staff, and administrators donate significant amounts of time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

**NOTE 4 - INVESTMENTS**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Certificates of deposits	\$ 177,479	\$ 177,479	\$ -
Mutual funds	2,112,313	2,174,469	62,156
	<u>\$ 2,289,792</u>	<u>\$ 2,351,948</u>	<u>\$ 62,156</u>

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2014:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Certificates of deposits	\$ 174,849	\$ 174,849	\$ -
Mutual funds	1,444,908	1,651,609	206,701
	<u>\$ 1,619,757</u>	<u>\$ 1,826,458</u>	<u>\$ 206,701</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2015:

Interest and dividends	\$ 76,257
Net unrealized gain	62,156
Net realized loss	(38,225)
	<u>\$ 100,188</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2014:

Interest and dividends	\$ 46,486
Net unrealized gain	206,701
Net realized loss	(23,307)
	<u>\$ 229,880</u>

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

***NOTE 5 - OSHER ENDOWMENT SCHOLARSHIP***

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a \$25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the College and its donors have contributed \$227,295. As of June 30, 2015 and 2014, the ending balance of the Osher Endowment Scholarship was \$227,295. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

***NOTE 6 - INVESTMENT SECURITIES***

**Market Value of Financial Assets and Liabilities**

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2015. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2015.

Assets	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 2,174,469	\$ -	\$ 2,174,469
Certificates of Deposit	177,479	-	177,479
California Community Colleges Scholarship Endowment Fund	-	227,295	227,295
Total	<u>\$ 2,351,948</u>	<u>\$ 227,295</u>	<u>\$ 2,579,243</u>

The following table presents changes in the Foundation's Level 3 investment assets measured at fair value on a recurring basis for the year ending June 30, 2015.

Level 3 Investments	
Balance, beginning of year	<u>\$ 227,295</u>
Balance, end of year	<u>\$ 227,295</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis.

**NOTE 7 - AMOUNTS HELD FOR OTHERS**

The Foundation acts as a fiscal agent for departments, organizations, and groups of Cypress College. Accordingly, at June 30, 2015 and 2014, \$152,485 and \$161,833, respectively, of the Foundation's assets belong to other parties. The Foundation does not have legal access nor any discretion over the amounts held for others behalf.

**NOTE 8 - ENDOWMENT GRANT**

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2004. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received \$300,000 over a five-year period ending June 30, 2010, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50 percent of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.



**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

***NOTE 9 - RELATED PARTY TRANSACTIONS***

**North Orange County Community College District**

The North Orange County Community College District (the District) charges administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District and reimbursed by the Foundation. Accordingly, at June 30, 2015 and 2014, the Foundation owed the District \$33,746 and \$32,996, respectively, for salaries and benefits. In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal years 2015 and 2014 amounted to \$7,800 and have been reflected in the financial statements as donated facilities.

**Contribution to Measure J Bond Campaign**

The Foundation contributed \$25,000 to the North Orange County Community College District's "Supporters of Fullerton and Cypress Colleges Yes on J" campaign. The contribution was made by the Foundation on October 10, 2014 and the election occurred on November 11, 2014. During the 2014-2015 year, the Foundation, consistent with Internal Revenue Service Section 501(h), filed an election to make expenditures to influence legislation for the tax year ending June 30, 2015, and all subsequent tax years until revoked. Under this election, the Foundation does not jeopardize their tax exempt status when making contributions to influence legislation.

***NOTE 10 - DONOR DESIGNATED ENDOWMENTS***

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Donor-restricted endowment funds	<u>\$ 1,299,863</u>	<u>\$ 811,981</u>	<u>\$ 2,111,844</u>

**CYPRESS COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

Changes in endowment net assets as of June 30, 2015, are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Endowment net assets, beginning of year	\$ 1,196,295	\$ 779,515	\$ 1,975,810
Contributions	74,459	20,179	94,638
Investment income	6,856	-	6,856
Net appreciation	48,346	-	48,346
Prior year adjustment	3,001	-	3,001
Transfers of contribution from temporarily restricted	-	12,287	12,287
Amounts appropriated for expenditures	(29,094)	-	(29,094)
Endowment net assets, end of year	<u>\$ 1,299,863</u>	<u>\$ 811,981</u>	<u>\$ 2,111,844</u>

***NOTE 11 - UNREALIZED GAINS AND LOSSES DISTRIBUTION***

In 2014-2015, the Foundation posted unrealized losses and dividends distributions for their endowed funds to unrealized gain/loss holding accounts in unrestricted matching funds in the amount of \$64,548. As the accounts in unrestricted funds gain credit balances, the holding balance is transferred back to temporarily restricted funds. Their use of the holding accounts is to prevent the temporarily restricted funds from spending unrealized monies.

***NOTE 12 - SUBSEQUENT EVENTS***

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through December 1, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



**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***

The Board of Directors  
Cypress College Foundation  
Cypress, California

We have audited, in accordance with the 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, the financial statements of Cypress College Foundation (the Foundation) (a California nonprofit corporation) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cypress College Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cypress College Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Cypress College Foundation'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 Foundation'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 may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cypress College Foundation'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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated December 1, 2015.

## 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 Cypress College Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cypress College Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vawrinich, Trine, Day & Co., LLP

Rancho Cucamonga, California  
December 1, 2015