



FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' REVIEW
REPORT

FOR THE YEAR ENDED JUNE 30, 2014



CRAFTON HILLS COLLEGE FOUNDATION
FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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Board of Directors
Crafton Hills College Foundation
Yucaipa, CA

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying statement of financial position of Crafton Hills College Foundation as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads 'Smith Marion & Co.' in a cursive script.

October 23, 2014

FINANCIAL STATEMENTS

CRAFTON HILLS COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets				
Cash	\$ 295,066	\$ 405,460	\$ 132,806	\$ 833,332
Investments	30,162	712,565	-	742,727
Accounts Receivable	-	241,667	-	241,667
Artwork	-	343,200	-	343,200
Total Current Assets	325,228	1,702,892	132,806	2,160,926
Non-Current Assets				
Charitable Gift Annuities	-	40,446	-	40,446
Total non-current assets	-	40,446	-	40,446
TOTAL ASSETS	\$ 325,228	\$ 1,743,338	\$ 132,806	\$ 2,201,372
LIABILITIES AND NET ASSETS				
NET ASSETS				
Unrestricted	\$ 325,228	\$ -	\$ -	\$ 325,228
Temporarily restricted	-	1,743,338	-	1,743,338
Permanently restricted	-	-	132,806	132,806
Total Net Assets	325,228	1,743,338	132,806	2,201,372
TOTAL LIABILITIES & NET ASSETS	\$ 325,228	\$ 1,743,338	\$ 132,806	\$ 2,201,372

CRAFTON HILLS COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 29,427	92,684	\$ 11,466	133,577
Fundraising	70,198	34,823	-	105,021
Interest and dividends	23,583	-	-	23,583
Donated services revenue	141,556	-	-	141,556
Unrealized gain on investments	87,674	-	-	87,674
Miscellaneous	715	-	-	715
Net assets released from restrictions	343,746	(343,746)	-	-
Total Support and Revenue	696,899	(216,239)	11,466	492,126
OPERATING EXPENSES				
Programs				
Scholarships	57,995	-	-	57,995
Academic support and other	420,585	-	-	420,585
Total Program Expenses	478,580	-	-	478,580
Support Services				
General and Administrative	26,382	-	-	26,382
Fundraising	25,763	-	-	25,763
Total Support Services	52,145	-	-	52,145
Total Operating Expenses	530,725	-	-	530,725
NON-OPERATING REVENUES (EXPENSES)				
Bad Debt Expense	(323,819)	-	-	(323,819)
Total Non-operating Revenues (Expenses)	(323,819)	-	-	(323,819)
Change in Net Assets	(157,645)	(216,239)	11,466	(362,418)
Net Assets - Beginning	482,873	1,959,577	121,340	2,563,790
Net Assets - Ending	\$ 325,228	\$ 1,743,338	\$ 132,806	\$ 2,201,372

CRAFTON HILLS COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Program			Support Services		
	Scholarships	Academic Support and Other	Total	General and Administrative	Fundraising	Total
Scholarships awarded	\$ 45,172	\$ -	\$ 45,172	\$ -	\$ -	\$ 45,172
Materials and supplies	-	72,370	72,370	-	15,899	88,269
Conferences and meetings	-	8,310	8,310	-	-	8,310
Marketing and promotion	-	16,417	16,417	-	-	16,417
Banking services	-	-	-	10,118	-	10,118
Donated services	12,823	114,234	127,057	8,914	5,585	141,556
Professional Fees	-	-	-	7,350	-	7,350
Equipment	-	126,556	126,556	-	-	126,556
Education	-	66,359	66,359	-	-	66,359
Other	-	16,339	16,339	-	4,279	20,618
	<u>\$ 57,995</u>	<u>\$ 420,585</u>	<u>\$ 478,580</u>	<u>\$ 26,382</u>	<u>\$ 25,763</u>	<u>\$ 530,725</u>

CRAFTON HILLS COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

NET CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets \$ (362,418)

Adjustments to reconcile change in net assets to net cash provided by operations:

Non-cash Items

Unrealized gain on investments (87,674)

Accounts receivable 323,819

CASH PROVIDED (USED) BY OPERATING ACTIVITIES (126,273)

NET CASH FLOW FROM INVESTING ACTIVITIES

Purchase of investments (72,304)

CASH PROVIDED (USED) BY INVESTING ACTIVITIES (72,304)

NET CASH FLOW FROM FINANCING ACTIVITIES

CASH PROVIDED (USED) BY FINANCING ACTIVITIES -

Net Increase (Decrease) in Cash (198,577)

Beginning cash and cash equivalents 1,031,909

Ending cash and investments \$ 833,332

SUPPLEMENTAL DATA:

Interest paid \$ -

In-kind donations \$ 141,556

CRAFTON HILLS COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Crafton Hills College Foundation (the Foundation) is an independent nonprofit corporation whose mission is to promote gifts for the support and enhancement of quality education at Crafton Hills College. The Foundation's programs include scholarships and other student awards, academic support, and the acquisition of instructional equipment and improvements to facilities for both vocational and academic enrichment.

SOURCES OF FUNDING

Crafton Hills College Foundation receives support from contributions and revenues generated by investments, grants, and campus activities.

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.

Unrestricted – 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.

Temporarily Restricted – Crafton Hills College 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.

Permanently Restricted – These net assets are received from donors who stipulate that resources are to be maintained permanently, but permits Crafton Hills College Foundation to expend all of the income (or other economic benefits) derived from the donated assets.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation. Donor restricted property and equipment whose restrictions are met in the same period are labeled as unrestricted donations. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$2,500 and the useful life is greater than one year. Depreciation is calculated using the straight-line method over five to fifteen years.

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.

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.

INCOME TAX STATUS

The Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701d. The Organization is not considered a private foundation under Section 509(a) of the Internal Revenue Code.

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by a foundation, 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. The Foundation files returns in the U.S. Federal jurisdiction and the State of California. The Organization's federal income tax returns for the prior three tax years remain subject to examination by the Internal Revenue Service. The Organization's California income tax returns for the prior four tax years remain subject to examination by the Franchise Tax Board.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an original maturity date of less than 90 days to be cash.

CONCENTRATION OF CREDIT RISK

The Foundation has cash in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution for interest bearing accounts or the Securities Investor Protection Corporation (SIPC) up to \$500,000 at each institution. At various times throughout the year, the Foundation may have cash balances at financial institutions which exceed FDIC or SIPC insurance limits. Management reviews the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for the Foundation. At year end the Foundation has no balances that exceed insured limits.

CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets, or services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided through donation, are recorded at fair value in the period received.

FUNCTIONAL ALLOCATION OF EXPENSES

Costs of providing Crafton Hills College 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.

INVESTMENTS

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Crafton Hills College 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 standard three levels of inputs that may be used to measure fair value:

- Level I:** Observable prices in active markets for identical assets or liabilities.
- Level II:** 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 III:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

2. INVESTMENTS

Fair market values of investments at June 30, 2014 are comprised of the following:

	Fair Value Measurements at Reporting Date Using			Total
	Level I	Level II	Level III	
<i>Merrill Lynch</i>				
Equities	\$ 368,094	\$ -	\$ -	\$ 368,094
Mutual Funds	237,283	-	-	237,283
Government Securities	57,279	-	-	57,279
Corporate Bonds	49,909	-	-	49,909
<i>U.S. Savings Bonds</i>				
Series EE Treasury Bonds	30,162	-	-	30,162
	<u>\$ 742,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,727</u>

See Note 1 for a description of the three levels of inputs that may be used to measure fair value.

The following table presents further detail for investments at year end:

	Adjusted Cost	Fair Value	Unrealized
Merrill Lynch	\$ 640,261	\$ 712,565	\$ 72,304
U.S. Saving Bonds	14,792	30,162	15,370
	<u>\$ 655,053</u>	<u>\$ 742,727</u>	<u>\$ 87,674</u>

For the fiscal year ended June 30, 2014, investment returns were comprised of the following:

Interest and dividends	\$ 23,583
Net realized gains	-
Net unrealized gains	87,674
Total investment gains	<u>\$ 111,257</u>

During the prior year, the Foundation received \$534,514 of the funds expected from a large donation from the Stanley Krasovec Irrevocable Trust. Management has elected to place the funds in an investment account with Merrill Lynch. The funds are to be used for the allied health programs with particular emphasis on the medical simulation and/or facilities and thus are classified as temporarily restricted.

3. DONATED SERVICES

The activities carried on by the Foundation are conducted by employees of the San Bernardino Community College District using the physical resources of Crafton Hills College. Costs incurred by the district on behalf of the Foundation include wages and occupancy expenses. The amount of donated services rendered to the Foundation for the year ended June 30, 2014 was \$141,556.

4. TITLE V FUNDS RESTRICTED FUNDS

The Foundation has elected to restrict Title V funds as a temporary endowment for a period of 20 years. The restriction was placed on the amount of \$58,000 which will be released from restriction on August 18, 2029.

5. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Crafton Hills College Foundation Board of Directors has interpreted UPMIFA, in accordance with California state law, 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 the original value of the gifts made to such endowments as permanently restricted.

Crafton Hills College 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 unappropriated investment earnings on permanently and temporarily restricted net assets are classified as temporarily restricted net assets until the funds are released from their temporarily restricted purpose.

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.

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.

The detail of temporarily and permanently restricted net assets as of June 30, 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	\$ 1,959,577	\$ 121,340	\$ 2,080,917
Contributions	127,507	11,466	138,973
Investment returns:			
Investment income	2,729	156	2,885
Net appreciation (depreciation)	8,887	674	9,561
Investment fees and expenses	(7,515)	(62)	(7,577)
Appropriation of endowment assets	<u>(347,847)</u>	<u>(768)</u>	<u>(348,615)</u>
Endowment net assets end of year	<u>\$ 1,743,338</u>	<u>\$ 132,806</u>	<u>\$ 1,876,144</u>

The endowment net asset composition by type of fund is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 1,743,338	\$ 132,806	\$ 1,876,144

6. CHARITABLE GIFT ANNUITIES

The Foundation is the beneficiary of two irrevocable split-interest agreements. Both of these agreements are charitable gift annuities whereby the Community College League of California is the third-party trustee. Per the agreements the donors are also the annuitant, and upon termination the Foundation is entitled to the residuum value of the annuity. For reporting purposes, the Foundation’s source for measuring the fair value of these annuities is statements received from the Community College League of California’s trust company, whereby the value of donated assets are reduced by the present value of expected future cash payments to the annuitants. Accordingly, this is considered a Level II fair value measurement.

7. ACCOUNTS RECEIVABLE

During 2011 the Foundation was named as a recipient of one-third of the Stanley Krasovec Irrevocable Trust which was valued at \$3,446,993. For the year ended June 30, 2012 management had accrued their share (approximately \$1,148,998) less estimated costs to execute the trust. The total amount initially accrued was \$1,100,000. The Stanley Krasovec Irrevocable trust is to be used for the allied health programs with particular emphasis on the medical simulation and/or facilities and thus is classified as temporarily restricted.

During the prior year the Foundation received \$534,514 of the funds expected. Management has elected to place the funds in an investment account with Merrill Lynch, the current fair value measurement of which is disclosed in Note 2 – Investments. As of June 30, 2014 the remaining balance of the Krasovec Irrevocable Trust of \$520,949 was valued at \$241,667. The remaining \$241,667 is still outstanding and is deemed fully collected by management.

8. ARTWORK

As of June 30, 2014 the Foundation’s artwork were comprised of the following:

	Fair Value
Gach Art	\$ 302,300
Peelle Art	36,000
DeGrazia Painting	4,500
Lithographic Prints	400
	<u>\$ 343,200</u>

During the prior year the Foundation received both the Gach and Peelle artwork as contributions. The contributors required that the Foundation maintain custody of the contributed artwork for three years from the date of donation. On 11/28/15 and 12/14/15 the Gach and Peelle artwork respectively, will be released from all holding requirements made by the contributors. At which point the Foundation will hold legal title to the artwork and any proceeds received for the artwork after the specified holding period will be unrestricted as to its use.

Collections and artwork are valued based on independent appraisals made by Certified Appraisers prior to their contribution to the Foundation. The Foundation has not had subsequent appraisals done on these assets. Due to the distinctive and unique nature of artwork, the appraised values are considered a Level II fair value measurement.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 23, 2014, 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.

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