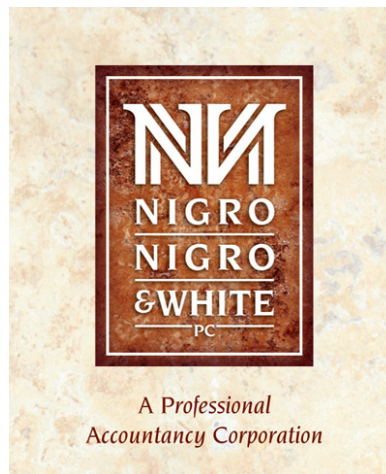


**GROSSMONT-CUYAMACA COMMUNITY
COLLEGE DISTRICT
AUXILIARY ORGANIZATION
(A California Nonprofit Corporation)**

**COUNTY OF SAN DIEGO
SAN DIEGO, CALIFORNIA**

June 30, 2008



**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
AUDIT REPORT
June 30, 2008**

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Board of Trustees
Grossmont-Cuyamaca Community College District
Auxiliary Organization
El Cajon, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) (a California nonprofit corporation) as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 the Organization as of June 30, 2008, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Grossmont-Cuyamaca Community College District Auxiliary Organization's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Nigro Nigro & White, PC".

San Diego, California
October 27, 2008

Financial Section

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Statement of Financial Position
June 30, 2008**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 52,448
Accounts receivable	1,978,641
TOTAL ASSETS	\$ 2,031,089

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 773,893
Accrued payroll and benefits	220,717
Due to Grossmont-Cuyamaca Community College District	550,000
TOTAL LIABILITIES	1,544,610

NET ASSETS

Unrestricted	
Undesignated	174,157
Temporarily restricted	312,322
TOTAL NET ASSETS	486,479
TOTAL LIABILITIES AND NET ASSETS	\$ 2,031,089

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

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Statement of Activities
For the Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUES AND PUBLIC SUPPORT			
Categorical allowances			
Federal	\$ 2,018,402	\$ -	\$ 2,018,402
State	3,596,760	-	3,596,760
Contributions	-	864,897	864,897
Contract education and services	-	93,128	93,128
Other local revenue	386,545	183,289	569,834
Net assets released from restrictions	1,621,388	(1,621,388)	-
TOTAL REVENUES AND SUPPORT	<u>7,623,095</u>	<u>(480,074)</u>	<u>7,143,021</u>
EXPENSES			
Program Services			
Grossmont-Cuyamaca Community College District	6,245,974	-	6,245,974
Supplies	248,784	-	248,784
Other payments to students	500	-	500
Donations	9,500	-	9,500
Travel, conferences, and mileage	362,450	-	362,450
Membership dues and fees	26,282	-	26,282
Equipment donated to Grossmont-Cuyamaca Community College District	90,962	-	90,962
Rents and utilities	116,911	-	116,911
Operational indirect	395,186	-	395,186
Total Program Services	<u>7,496,549</u>	<u>-</u>	<u>7,496,549</u>
Supporting Services			
Printing	12,070	-	12,070
Postage and freight	5,049	-	5,049
Other support expenses	71,605	-	71,605
Total Supporting Services	<u>88,724</u>	<u>-</u>	<u>88,724</u>
TOTAL EXPENSES	<u>7,585,273</u>	<u>-</u>	<u>7,585,273</u>
OTHER REVENUE			
Interest	1,065	-	1,065
INCREASE (DECREASE) IN NET ASSETS	38,887	(480,074)	(441,187)
NET ASSETS, BEGINNING OF YEAR	135,270	792,396	927,666
NET ASSETS, END OF YEAR	<u>\$ 174,157</u>	<u>\$ 312,322</u>	<u>\$ 486,479</u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Statement of Cash Flows
For the Year Ended June 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (441,187)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Increase in accounts receivable	(795,130)
Increase in accounts payable and accrued payroll	388,399
Increase in due to Grossmont-Cuyamaca Community College District	<u>550,000</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(297,918)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(297,918)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>350,366</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 52,448</u></u>

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

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Notes to Financial Statements
June 30, 2008**

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The significant policies followed by Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

Organization

The Organization, a non-profit organization, was incorporated in the State of California on March 1, 2000. The Organization was formed for the purpose of promoting and assisting the Grossmont-Cuyamaca Community College District (the District) in accordance with the mission, policies, and priorities of the District as administered by the District Chancellor. The Organization is authorized to operate as an auxiliary organization of the District under the provisions of Article 6 of Chapter 6 of Part 45 of the Education Code and, although a separate Board of Directors presides over the Organization, the District's Board of Trustees approves the operations. As such, the Organization is considered a component unit of the District under provisions of Governmental Accounting Standards Board (GASB) Statement No. 39. The financial statements of the Organization are presented discretely from the District.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The statement of activities is a statement of financial activities related to the current reporting period. Using this method, revenues are recognized when earned, and expenses are recognized when incurred.

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. Accordingly, actual results could differ from those estimates.

Cash Equivalents for Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of six months or less to be cash equivalents.

Donated Services and Materials

The Organization records the value of donated services or material when there is an objective basis available to measure their value. No amounts have been reflected in these financial statements, as no objective basis was available to measure their value as required by Statement of Financial Accounting Standard (SFAS) No. 117. Nevertheless, a substantial number of volunteers have donated their time and services to the Organization.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Notes to Financial Statements
June 30, 2008**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Property and equipment purchased by the Organization for use in daily operations is stated at cost. The Organization's policy is to capitalize all additions greater than \$5,000, if purchased with non-contract funds. Depreciation is provided over the estimated useful lives of assets, which range from five to ten years, using the straight-line method. Equipment purchased for use with Federal or State categorical funds are passed through to the Grossmont-Cuyamaca Community College District and are restricted as to use within the specific programs.

Income Taxes

The Organization is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provision. Accordingly, no provision for income taxes has been provided in the financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a). The Organization annually files information returns (Forms 990, 199, and RRF-1) with the appropriate agencies.

Contributions

The Organization reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donation to a specific time, even, or other criteria. When a donor restriction expires, the time ends, or the purpose is accomplished, temporarily restricted assets are reclassified as unrestricted assets and reported in the statement of activities as net assets released from restrictions. During the year ended June 30, 2008, donations in the amount of \$864,897 with donor restrictions were received.

Contributions received without explicit donor restrictions are reported within the unrestricted net assets.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Notes to Financial Statements
June 30, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

At June 30, 2008, the reported amount of the Organization’s deposits was \$52,448 and the bank balance was \$447,515. Of the bank balance, \$447,515 was covered by Federal depository insurance or by collateral held by the Organization’s agent in the Organization’s name.

Cash in bank - checking	\$	41,956
Cash in bank - money market		10,492
Total	\$	<u>52,448</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due to the Organization as of June 30, 2008, on current grant contracts. All balances as of June 30, 2008, are due within one year. The current accounts receivable balance as of June 30, 2008, is \$1,978,641 and consists of:

Passed Through Grossmont-Cuyamaca Community College District:		
Federal	\$	723,071
State		1,080,814
Other accounts receivable:		
State		174,756
Total	\$	<u>1,978,641</u>

NOTE 4 – EQUIPMENT

Equipment at June 30, 2008, consists of:

Equipment	\$	12,822
Less accumulated depreciation		(12,822)
Net equipment	\$	<u>-</u>

GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Notes to Financial Statements
June 30, 2008

NOTE 5 – RESTRICTIONS ON NET ASSETS

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Temporarily restricted net assets at June 30, 2008, are available for the following purposes:

California Dental Association	\$	21,958
California Wellness Foundation		16,592
CalPASS		172,960
Contract Education		3,341
CoPASS-Cochise		30,000
Nurse Education, Practice, and Retention		14,026
TexPASS - Texas		29,803
Other		23,643
Total	\$	<u>312,322</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization receives financial support for various programs through categorical allowances from Grossmont-Cuyamaca Community College District. During the year ended June 30, 2008, these allowances totaled \$6,074,057.

The Organization awards and provides support for various programs of Grossmont-Cuyamaca Community College District. During the year ended June 30, 2008, the Organization transmitted payments along with purchased assets to the Grossmont-Cuyamaca Community College District in the amount of \$6,075,663.

The Grossmont-Cuyamaca Community College District advances funds to the Organization based on the accounts receivable balance due to the Organization by the Grossmont-Cuyamaca Community College District. This process assists the Organization in meeting its cash flow needs. As of June 30, 2008, the Grossmont-Cuyamaca Community College District advanced \$550,000 to the Organization. This advance is recorded in the statement of financial position as “Due to Grossmont-Cuyamaca Community College District.” Additionally, as of June 30, 2008, the Organization maintained an accounts receivable balance with Grossmont-Cuyamaca Community College District of \$1,803,885 relating to the Organization’s Federal and State categorical programs.

Supplementary Information Section

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION		
Passed through Grossmont-Cuyamaca Community College District:		
Title III - Strengthening Institutions Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)	84.031A	\$ 108,803
Tech Prep Education Grant	84.334	995,210
Vocational Programs: Voc and Appl Tech Secondary II C, Sec 131 (VTEA)	84.243	303,973
Workforce Investment Act (WIA)	84.048	97,909
	17.258	195,138
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Grossmont-Cuyamaca Community College District:		
Nursing Workforce Diversity	93.178	287,315
Nurse Education Practice and Retention: Career Ladder	93.359	32,268
Total		<u>\$ 2,020,616</u>

See accompanying notes to supplementary information.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 AUXILIARY ORGANIZATION
 Notes to the Supplementary Information
 June 30, 2008**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards included the Federal grant activity of the Organization and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUBRECIPIENTS

Of the Federal expenditures presented in the schedule, the Grossmont-Cuyamaca Community College District Auxiliary Organization provided Federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)	84.334	909,673
Workforce Investment Act (WIA)	17.258	10,172
Total		<u>\$ 919,845</u>

Other Independent Auditors' Reports

Board of Trustees
Grossmont-Cuyamaca Community College District
Auxiliary Organization
El Cajon, California

**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**

We have audited the financial statements of Grossmont-Cuyamaca Community College District Auxiliary Organization (the Organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grossmont-Cuyamaca Community College District Auxiliary Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Chancellor's Office, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Nigro Nigro & White, PC".

San Diego, California

October 27, 2008

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, others within the entity, the California Department of Education, the State Chancellor's Office, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California
October 27, 2008

Findings and Questioned Costs Section

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Schedule of Audit Findings and Questioned Costs
For the Year Ended June 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>93.178</u>	<u>Nursing Workforce Diversity</u>
<u>84.243</u>	<u>Tech Prep Education Grant</u>
<u>84.334</u>	<u>Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up)</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
AUXILIARY ORGANIZATION
Schedule of Audit Findings and Questioned Costs
For the Year Ended June 30, 2008**

There were no audit findings or questioned costs in 2007-08.

**GROSSMONT-CUYAMACA COMMUNITY COLLEGE DISTRICT
 AUXILIARY ORGANIZATION
 Summary Schedule of Prior Audit Findings
 For the Year Ended June 30, 2008**

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2007-1: Federal Expenditures (Salaries)</i>	Internal controls are not in place to ensure employees are updating their certification of time working on Federal programs.	50000	Establish written policies that support the Organization's interpretations of the applicable requirements. Employees charged to the grant need to certify that their time is being charged to the appropriate grant as required by Federal guidelines.	Implemented fully in 2007-08
<i>Finding 2007-2: Sub-Recipient Monitoring</i>	The Organization has not maintained internal controls necessary to ensure proper revenue recognition and reporting requirements of sub-recipients.	50000	Ensure that all subrecipients report program revenues as from Federal sources in order for subrecipients to obtain potential Single Audit coverage for the Federal award passed through from the Auxiliary.	Implemented fully by October 2008