



Financial Statements
June 30, 2022

Gavilan College Educational Foundation

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Independent Auditor's Report

The Board of Directors
Gavilan College Educational Foundation
Gilroy, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gavilan College Educational Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Eide Sully LLP

Rancho Cucamonga, California
May 1, 2023

Gavilan College Educational Foundation
Statement of Financial Position
June 30, 2022

Assets	
Current assets	
Cash	\$ 532,723
Accounts receivable	<u>5,221</u>
Total current assets	<u>537,944</u>
Noncurrent assets	
Beneficial interest in assets held by the Gilroy Foundation	<u>53,038</u>
Total assets	<u>\$ 590,982</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	<u>\$ 3,123</u>
Net assets	
Without donor restrictions	17,302
With donor restrictions	<u>570,557</u>
Total net assets	<u>587,859</u>
Total liabilities and net assets	<u>\$ 590,982</u>

Gavilan College Educational Foundation

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 8,844	\$ 229,560	\$ 238,404
In-kind donations	2,469	-	2,469
Contributed services	43,626	-	43,626
Assets released from restrictions	214,505	(214,505)	-
Total revenues and support	<u>269,444</u>	<u>15,055</u>	<u>284,499</u>
Expenses			
Program	209,844	-	209,844
Management and general	57,687	-	57,687
Fundraising	4,508	-	4,508
Total expenses	<u>272,039</u>	<u>-</u>	<u>272,039</u>
Other Income			
Change in value of beneficial interest in assets held by the Gilroy Foundation	<u>-</u>	<u>(7,653)</u>	<u>(7,653)</u>
Change in Net Assets	(2,595)	7,402	4,807
Net Assets, Beginning of Year	<u>19,897</u>	<u>563,155</u>	<u>583,052</u>
Net Assets, End of Year	<u>\$ 17,302</u>	<u>\$ 570,557</u>	<u>\$ 587,859</u>

Gavilan College Educational Foundation
Statement of Functional Expenses
Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
Scholarships	\$ 110,287	\$ -	\$ -	\$ 110,287
Distributions to District programs	99,557	-	-	99,557
College program support	-	-	4,508	4,508
Fees and subscriptions	-	11,592	-	11,592
In-kind contributions	-	2,469	-	2,469
Contributed services	-	43,626	-	43,626
Total expenses	\$ 209,844	\$ 57,687	\$ 4,508	\$ 272,039

Gavilan College Educational Foundation

Statement of Cash Flows
Year Ended June 30, 2022

Operating Activities	
Change in net assets	\$ 4,807
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Beneficial interest in assets held by the Gilroy Foundation	7,653
Changes in assets and liabilities	
Accounts receivable	(1,348)
Accounts payable	1,923
	<u>13,035</u>
Net cash flows from operating activities	<u>13,035</u>
Net Change in Cash	13,035
Cash, Beginning of Year	<u>519,688</u>
Cash, End of Year	<u><u>\$ 532,723</u></u>

Note 1 - Nature of Organization and Summary of Significant Accounting Policies**Organization and Nature of Activities**

The Gavilan College Educational Foundation (the Foundation) is a California nonprofit auxiliary organization of the Gavilan College District (the District), a California public community college located in Gilroy, California. The Foundation's main purpose is to support the students and educational programs of the District. The Foundation was incorporated in the State of California in May 1994 and is a Voluntary Health and Welfare Organization.

Financial Statement Presentation

The Foundation and the District are financially interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under the campus activities program.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net Asset Accounting

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Foundation.
- Net Assets With Donor Restrictions - Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Donated Services

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Cash

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. The Foundation maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2022, the Foundation had cash balances in financial institutions in excess of FDIC in the amount of \$284,413.

Beneficial Interest in Assets held by Community Foundation

During 2015, the Foundation established a fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Nonprofit Investment Partner Funds program and named the Foundation as a beneficiary. Variance power was granted to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Accounts Payable

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30 annually.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The expenses are generally directly attributable to a functional category with no significant allocations between program and supporting services activities occurring.

Estimates

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

Income Taxes

The Foundation 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 provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

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.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise of the following:

Cash	\$	17,302
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Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances, expenditures, and the budget.

Note 3 - Fair Value Measurements and Disclosures

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in U.S. GAAP under FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and 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 I - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II - Observable inputs other than Level I 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. Level III 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.

The fair value of the beneficial interest in assets held by the Gilroy Foundation is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level III measurements.

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, 2022. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2022.

	<u>Level 3</u>
Assets	
Beneficial interest in assets held by the Gilroy Foundation	\$ 53,038

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs for the year ended June 30, 2022.

	<u>Level 3</u>
Balance, beginning of year	\$ 60,691
Net realized gains	8,007
Net unrealized gains	(14,925)
Investment return, net	414
Fees	(1,149)
Balance, end of year	\$ 53,038

Note 4 - Restrictions on Net Assets

Donor-restricted net assets with time and/or purpose restrictions consist of the following as of June 30, 2022:

Scholarships and educational programs	\$ 570,557
	<u>570,557</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2022:

Satisfaction of purpose restrictions	
Scholarships	\$ 123,098
Educational programs	<u>91,407</u>
	<u>\$ 214,505</u>

Note 5 - Related Party Transactions

Gavilan College District

The Foundation provides various levels of monetary support and service to the District departments and programs, as well as scholarships for students. The District provides office space and other support to the Foundation. The District support is not recognized in the statement of activities, as the support is not material to the Foundation's financial statements. The Foundation provided \$110,287 to the District for student scholarships and \$104,065 for program support during the year ended June 30, 2022.

Note 6 - Subsequent Events

The Foundation's management has evaluated events or transactions from June 30, 2022 through May 1, 2023 which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.