

**GAVILAN COLLEGE
EDUCATIONAL FOUNDATION**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

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GAVILAN COLLEGE EDUCATIONAL FOUNDATION

ORGANIZATION JUNE 30, 2019

The Gavilan College Educational Foundation (the Foundation) is governed by a Board of Directors and is a legal entity separate from the Gavilan Joint Community College District (the District). The Foundation was formed in the early 1990's and became incorporated on May 24, 1994.

The Foundation makes gifts, loans, grants and scholarships in order to promote, foster and implement the programs and activities of the District.

The Board of Directors and District Administration for the fiscal year ended June 30, 2019 were composed of the following members:

BOARD OF DIRECTORS

<u>Members</u>	<u>Office</u>	<u>Term</u>
Anthony Marandos	President	June 2021
Mark Roberts	Vice President	June 2020
Frank Angellino	Treasurer	June 2021
Diane Stone	Secretary	June 2021
Douglas Marshall	Past President	June 2021
Dr. Kathleen A. Rose	Director, Ex Officio	
Sabrina Lawrence	Director	June 2019
Amy Garber	Director	June 2020
Tom Breen	Director	June 2020
Jeff Orth	Director	June 2021
Nita Edde-Mitchell	Director	June 2021
Susie Connell Bible	Director	June 2021

ADMINISTRATION

Jan Bernstein-Chargin
Director of Public Information

Lisa Scott
Administrative Assistant to the Supt./President

Frederick E. Harris
Vice President, Administrative Services

Wade W. Ellis, CPA
Associate Vice President Business Services and Security

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Gavilan College Educational Foundation
Gilroy, California**

Report on Financial Statements

We have audited the accompanying financial statements of Gavilan College Educational Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and of cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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.

Board of Directors
Gavilan College Educational Foundation
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019, 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

January 7, 2020

FINANCIAL STATEMENTS

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION JUNE 30, 2019

ASSETS:	
Cash and cash equivalents	\$ 486,787
Cash held by fiscal agent	<u>11,854</u>
TOTAL ASSETS	<u>\$ 498,641</u>
LIABILITIES:	
Accounts payable	<u>\$ 6,019</u>
NET ASSETS:	
Without donor restrictions	26,301
With donor restrictions	<u>466,321</u>
Total net assets	<u>492,622</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 498,641</u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

	Without donor restrictions	With donor restrictions	Total
REVENUES:			
Contributions	\$ 70,724	\$ 213,971	\$ 284,695
Contributions for scholarships		190,686	190,686
Event income		20,375	20,375
Miscellaneous income	2,532		2,532
Net assets released from restrictions	394,285	(394,285)	
Total revenues	467,541	30,747	498,288
EXPENSES:			
Program services:			
Scholarships and awards	188,026		188,026
Athletics	141,862		141,862
College program support	85,289		85,289
Total program services	415,177		415,177
Supporting services:			
Fundraising	39,032		39,032
General and administrative	9,553		9,553
Total supporting services	48,585		48,585
Total expenses	463,762		463,762
Increase in net assets	3,779	30,747	34,526
NET ASSETS - beginning of year	22,522	435,574	458,096
NET ASSETS - end of year	\$ 26,301	\$ 466,321	\$ 492,622

The accompanying notes are an integral part of these financial statements.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2019

	Program services			Supporting services		Total
	Scholarships and awards	Athletics	College program support	Fundraising	General and administrative	
Scholarships	\$ 188,026					\$ 188,026
Distributions to District programs		\$ 141,862	\$ 19,065			160,927
Events			46,430			46,430
District personnel use				\$ 37,500		37,500
President 's Circle			19,794			19,794
Fees and subscriptions					\$ 6,128	6,128
Miscellaneous				1,532	3,425	4,957
Total	<u>\$ 188,026</u>	<u>\$ 141,862</u>	<u>\$ 85,289</u>	<u>\$ 39,032</u>	<u>\$ 9,553</u>	<u>\$ 463,762</u>

The accompanying notes are an integral part of these financial statements.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:	
Increase in net assets	\$ 34,526
Reconciliation to net cash provided by operating activities:	
Accounts payable	<u>6,019</u>
Net cash provided by operating activities	<u>40,545</u>
Net increase in cash and equivalents	40,545
CASH AND CASH EQUIVALENTS - beginning of year	<u>458,096</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 498,641</u></u>
Cash and cash equivalents	\$ 486,787
Cash held by fiscal agent	<u>11,854</u>
Total	<u><u>\$ 498,641</u></u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

1. ORGANIZATION AND REPORTING ENTITY

Gavilan College Educational Foundation (the Foundation) is a not-for-profit public benefit organization that provides support to various programs and functions of Gavilan Joint Community College District (the District), and provides a link between the District and the community. The District and the Foundation are considered related parties. Refer to Note 6 for transactions that occurred between the two entities during the year ended June 30, 2019.

The Foundation was organized for the purpose of providing financial assistance to students in need. The Foundation provides opportunities for members of the community to donate property and money for the express purpose, through scholarships, sponsorship, and other support, of helping deserving students receive a quality education.

In concert with the District and the community it serves, the Foundation commits itself to work toward educational excellence, and to assist in the implementation of the mission of the District to provide a supportive learning environment enriched by diversity, which promotes personal and professional success, leadership, innovation, responsibility, and a sense of community.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. The Foundation reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Cash and cash equivalents have been defined as cash and highly liquid short-term investments with original maturities of 90 days or less at the date of purchase.

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation deposits held with financial institution in excess of depository insurance limits was \$253,736 as of June 30, 2019. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

Contributions – Contributions are recognized as revenues in the period received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted, and are reported as net assets released from restrictions, when the time restrictions expire, or the contributions are used for the restricted purpose. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. The Foundation has no net assets with donor restrictions that are perpetual in nature.

Functional expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses have been allocated based on management's estimate of direct usage.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

Tax status – The Foundation is exempt from federal income and California franchise taxes under Section 501 (c)(3) of the Internal Revenue and corresponding California state codes. Accordingly, no provision for income taxes has been recorded 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) of the Internal Revenue Code.

The Foundation applies the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2015.

Use of estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recent accounting pronouncements – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Application of this statement is effective for transactions in which the entity serves as the resource recipient for the year ending June 30, 2020. For transactions in which the entity serves as the resource provider, the statement is effective for the year ending June 30, 2021. The Foundation is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events – Subsequent events have been reviewed through January 7, 2020, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2019, that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation has \$32,320 of financial assets available within one year of the statement of financial position date for general expenditures, consisting cash and cash equivalents of \$498,641, less \$466,321 subject to donor-imposed restrictions (see Note 4), and not available for general expenditure.

Management has evaluated the Foundation's financial assets and has determined they are sufficient to manage its liquidity needs and meet its operating expenses as they become due.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

4. NET ASSETS WITH DONOR RESTRICTIONS

The following is a summary of net assets with donor restrictions that are temporary in nature at June 30, 2019:

Scholarships	\$	209,365
Puente		64,875
Bach to Blues		45,408
Centennial		40,591
Sports Boosters		28,362
Music Program		15,748
Arthur Rupe Foundation		15,000
Sports Athletic Program		13,517
Lockheed Martin Mesa Program		11,374
Gilroy Foundation – GCEF		9,106
Other		12,975
		<u>466,321</u>
	\$	<u>466,321</u>

Net assets with donor restrictions that are temporary in nature were released from restrictions by incurring expenses satisfying the purpose of the restriction or by the passage of time during the year ended June 30, 2019:

Scholarships	\$	188,020
Sports Boosters		97,996
Sports Athletic Program		44,898
Centennial		26,925
Staff Recognition Dinner		11,670
Legacy Bridge Project		8,150
Lockheed Martin Mesa Program		4,426
Bach to Blues		3,405
Music Program		2,300
Other		6,495
		<u>394,285</u>
Total net assets released from restriction	\$	<u>394,285</u>

5. IN-KIND DONATIONS

The Foundation periodically receives in-kind donations to be used or sold as determined by the Board. The Board's policy is to hold the tangible items until such time when they can be sold and the money placed in the appropriate fund. The Foundation also receives in-kind donations of support from the District, as described in Note 6. In-kind donations received during the year ended June 30, 2019 were \$37,500.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

6. RELATED PARTIES

As described in Note 1, the Foundation's purpose is to support the District's students and programs. Therefore, transactions between the Foundation and the District are to be expected. In accordance with the Foundation's Bylaws, certain District personnel serve as ex-officio members of the Foundation's Board of Directors by virtue of their position at the District.

In exchange for support that the Foundation provides to the campus programs, the District contributed to the Foundation the full cost of the salary of the Foundation Coordinator, incurred and paid by the District on behalf of the Foundation. For the year ended June 30, 2019, the District contributed \$37,500, which was recognized as an in-kind donation.