

FRIENDS OF CHABOT COLLEGE

FINANCIAL STATEMENTS

June 30, 2018

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CONTENTS

| | |
|---|---|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| FINANCIAL STATEMENTS: | |
| STATEMENT OF FINANCIAL POSITION..... | 3 |
| STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS..... | 4 |
| STATEMENT OF FUNCTIONAL EXPENSES..... | 5 |
| STATEMENT OF CASH FLOWS..... | 6 |
| NOTES TO FINANCIAL STATEMENTS..... | 7 |

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Friends of Chabot College
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Friends of Chabot College (the "Foundation") which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and change in net assets, functional expenses and 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 audits. We conducted our audits 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 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 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of Chabot College as of June 30, 2018, and the change 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.


Crowe LLP

Sacramento, California
July 8, 2019

FRIENDS OF CHABOT COLLEGE
STATEMENT OF FINANCIAL POSITION
June 30, 2018

| | <u>2018</u> |
|---------------------------------------|-------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 183,072 |
| Investments (Note 3) | 36,453 |
| Receivables | <u>7,600</u> |
| Total assets | <u>\$ 227,125</u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | \$ 40,549 |
| Funds held on behalf others | <u>2,429</u> |
| Total liabilities | <u>42,978</u> |
| NET ASSETS (Notes 4 and 5) | |
| Without donor restrictions | (518) |
| With donor restrictions | <u>184,665</u> |
| Total net assets | <u>184,147</u> |
| Total liabilities and net assets | <u>\$ 227,125</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
Year Ended June 30, 2018

| | <u>2018</u> | | |
|--|---------------------------------------|------------------------------------|-------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Support: | | | |
| Contributions and grants (Note 7) | \$ 197,674 | \$ 93,899 | \$ 291,573 |
| Fundraising events, net of costs (Note 8) | 22,108 | 1,000 | 23,108 |
| Revenue: | | | |
| Other revenues | 1,483 | - | 1,483 |
| Interest and investment income, net | - | 411 | 411 |
| Net assets released from restrictions (Note 4) | <u>65,437</u> | <u>(65,437)</u> | <u>-</u> |
| Total revenues and support | <u>286,702</u> | <u>29,873</u> | <u>316,575</u> |
| Expenses (Note 7): | | | |
| Program services | 138,759 | - | 138,759 |
| Management and general | 117,138 | - | 117,138 |
| Fundraising | <u>39,000</u> | <u>-</u> | <u>39,000</u> |
| Total expenses | <u>294,897</u> | <u>-</u> | <u>294,897</u> |
| Change in net assets | (8,195) | 29,873 | 21,678 |
| Net assets, beginning of year | <u>7,677</u> | <u>154,792</u> | <u>162,469</u> |
| Net assets, end of year | <u>\$ (518)</u> | <u>\$ 184,665</u> | <u>\$ 184,147</u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-----------------------------|-----------------------------------|--------------------|--------------|
| Personnel expenses: | | | | |
| Salaries and wages | \$ 47,164 | \$ 34,349 | \$ 25,718 | 107,231 |
| Payroll taxes and benefits | 24,473 | 17,956 | 13,251 | 55,680 |
| Independent contractors and professional fees | - | 28,380 | - | 28,380 |
| Total personnel expenses | 71,637 | 80,685 | 38,969 | 191,291 |
| Other expenses: | | | | |
| Grants and scholarships | 52,562 | 7,200 | - | 59,762 |
| Other program costs | 5,185 | 21,105 | - | 26,290 |
| Advertising and marketing | 5,586 | - | - | 5,586 |
| Office expense | 2,584 | 2,899 | - | 5,483 |
| Information technology | 1,200 | 1,792 | - | 2,992 |
| Conferences and meetings | - | 2,513 | - | 2,513 |
| Occupancy | - | 845 | - | 845 |
| Dues and fees | 5 | 99 | 31 | 135 |
| Total expenses | \$ 138,759 | \$ 117,138 | \$ 39,000 | \$ 294,897 |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

| | <u>2018</u> |
|--|--------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 21,678 |
| Reconciliation of change in net assets to net cash provided by operating activities: | |
| Unrealized gain on investments | (411) |
| Contributions restricted for long-term investment | (28,607) |
| Increase in receivables | (7,600) |
| Increase in funds held on behalf of others | 2,429 |
| Increase in accounts payable and accrued expenses | <u>40,549</u> |
| Net cash provided by operating activities | <u>28,038</u> |
| Cash flows from financing activities: | |
| Contributions restricted for long-term investment | <u>28,607</u> |
| Increase in cash and cash equivalents | 56,645 |
| Cash and cash equivalents – beginning of year | <u>126,427</u> |
| Cash and cash equivalents – end of year | <u><u>\$ 183,072</u></u> |

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – ORGANIZATION

Organization: Friends of Chabot College (the "Foundation") is a not-for-profit public benefit corporation organized to provide support and for the benefit of various programs and functions of Chabot College, by providing funding and services to help students achieve their educational, vocational and personal goals. Further, the Foundation provides a link between the District and the community. Chabot College is a part of the Chabot-Las Positas College District (the "District"), and provides higher education instruction in the surrounding area.

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The Foundation presents its financial statements on the basis of without donor restrictions and with donor restrictions. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Net Assets: The financial statements focus on the Foundation as a whole and present balances and transactions classified based upon the existence or absence of donor-imposed restrictions. Net assets, revenue, expenses, gains, and losses have been classified into two net assets classes based on these donor-imposed restrictions. A description of each net asset class follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this category of net assets include contributions and grants, fundraising activities, other income and operating expenses without donor-imposed restrictions. Certain funds, generally set aside by Board action, function as endowments and are included in net assets without donor restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items in this net asset category are contributions and investment income whose use is limited to specific purposes by the donor. These amounts are reclassified when such restrictions are met or when time restrictions have expired.

Net assets that are subject to donor-imposed restrictions which require them to be maintained permanently by the Foundation are also considered net assets with donor restrictions. Items in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity and only the income be made available for purposes without donor restrictions or with donor restrictions (primarily gifts for endowments that will fund perpetual endowments).

Cash Equivalents: The Foundation considers cash and cash equivalents to include cash in commercial checking accounts and demand deposits in money market funds that are used for operational purposes with original maturity dates of three month or less.

Investments: Investments held by the Foundation for California Community Colleges (FCCC) are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a trade date basis.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period as the events occur.

Concentration of Credit Risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. 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.

At June 30, 2018, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$183,072 and the bank balance was \$188,661. The bank balance amount was fully insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. \$2,429 of the cash balance is held on behalf of others for certain activities.

Tax Status: The Foundation has been granted tax-exempt status by the Internal Revenue Service pursuant to code section 501(c)(3) and also by the California revenue and tax code section 23701e.

The Foundation has accounted for uncertainty in income taxes as required by the *Accounting for Uncertainty in Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Foundation uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes. Management does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the year ended June 30, 2018, the Foundation did not recognize any interest or penalties. The Foundation files exempt organization returns in the U.S. federal and California jurisdictions. Tax returns remain subject to examination by the U.S. Federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Functional Allocation of Expenses: The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon employee service hours and program utilization.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance: On August 18, 2016, FASB issued 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, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 – INVESTMENTS

Investments consist of the following at June 30:

| | <u>2018</u> |
|--|-------------------|
| Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher) | \$ <u>36,453*</u> |

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC.

**Investment in FCCC/Osher* – The fair value of the investments held by FCCC were based upon the net asset values (“NAVs”) of the assets at June 30, 2018. The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio.

Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

NOTE 4 – NET ASSETS

Net assets with donor restrictions were as follows for the year ended June 30, 2018.

| | <u>2018</u> |
|----------------------------------|-------------------|
| Specific Purpose Scholarships | \$ <u>184,765</u> |

For the year ended June 30, 2018, \$65,437, were released from restriction due to the satisfaction of donor restrictions.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – ENDOWMENT FUNDS

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the endowment funds holding the contributed value of donor-restricted gifts, and the related undistributed earnings and unrealized appreciation, as net assets with donor restrictions. The endowment fund holding the contributed value of the Foundation board-designated gifts, and related undistributed earnings and unrealized appreciation, is classified as net assets without donor restrictions.

The Foundation follows adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool.

The following schedules summarize the balance and activity in the Endowment Funds by net asset class for the year ended June 30, 2018:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|------------------|--------------------------------------|-----------------------------------|------------------|
| Donor-restricted | \$ - | \$ 78,934 | \$ 78,934 |
| Board-designated | <u>20,000</u> | <u>-</u> | <u>20,000</u> |
| Total | <u>\$ 20,000</u> | <u>\$ 78,934</u> | <u>\$ 98,934</u> |

Activity by net asset class:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|------------------|
| Balance, July 1, 2017 | \$ - | \$ 36,042 | \$ 36,042 |
| Change in fair value of investments and investment income | - | 411 | 411 |
| Contributions | 10,000 | 28,607 | 38,607 |
| Other transfers | 10,000 | 18,750 | 28,750 |
| Withdrawals | <u>-</u> | <u>(4,876)</u> | <u>(4,876)</u> |
| Balance, June 30, 2018 | <u>\$ 20,000</u> | <u>\$ 78,934</u> | <u>\$ 98,934</u> |

At June 30, 2018, there were no aggregate amounts of funds for which the fair value of the assets held is less than the level required by donor stipulation or law.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | <u>2018</u> |
|---|-------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 183,072 |
| Investments | 36,453 |
| Receivables | <u>7,600</u> |
| Total financial assets | <u>227,125</u> |
| Less amounts not available to be used for general expenditures: | |
| Funds held on behalf of others | 2,429 |
| Board-designated endowment assets | 20,000 |
| Endowment assets to be invested in perpetuity | <u>78,934</u> |
| Total amounts not available to be used for general expenditures | <u>101,363</u> |
| Total financial assets available to meet cash needs for general expenditures | <u>\$ 125,762</u> |

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation has donor restricted net assets of \$105,731 limited to specified purposes that management asserts will qualify as general expenditures within one year in the normal course of operations. Therefore, these purpose restricted assets are considered available. The Foundation's endowed assets held in perpetuity are considered not available for general expenditures over the next year except for appropriated amounts released for scholarships.

NOTE 7 – RELATED ORGANIZATIONS

The Foundation is considered an auxiliary organization with a specific relationship to Chabot College and the Chabot-Las Positas College District. This relationship is reflected in a master agreement between the entities. The Foundation's Statements of Activities and Change in Net Assets include an amount contributed by Chabot College totaling \$190,246 for the year ended June 30, 2018. This consisted of a portion of the salaries, benefits and payroll taxes for the foundation employees as well as occupancy costs and other operating costs

NOTE 8 – FUNDRAISING EVENTS

In fiscal year 2017-18, the Foundation held two fundraising events, a Fall gala and a naming opportunity fundraiser. Results of the fundraising events generated revenues of \$46,770 and total fundraising costs of \$24,662.

(Continued)

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 – SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2018 to July 8, 2019, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.