Agenda Item (VIII-D-1)

Meeting	12/8/2015 - Regular
Agenda Item	Committee - Resources (VIII-D-1)
Subject	2014-2015 Independent Audit Report for the Riverside Community College District Foundation
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2015 for the permanent file of the District.

Background Narrative:

An independent audit of the Foundation's 2014-2015 financial statements was performed by Ahern, Adcock, Devlin, LLP Certified Public Accountants (AAD). A representative of the firm will be available to present the report. Results of the audit are summarized below.

• Auditor's Opinion – The auditors have issued an unmodified opinion for the financial audit as of June 30, 2015 and 2014.

• Audit Findings – There were no findings or questioned costs.

• Auditor's Required Communication – In accordance with the Statement on Auditing Standards No. 114, at the conclusion of the audit engagement AAD is required to communicate information to the Board of Trustees regarding their responsibility under United States Generally Accepted Auditing Standards. Attached for your information is the required communication.

• The audit report was presented to and accepted by the Foundation's Board of Directors on November 17, 2015.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services
Amy Cardullo, Director, RCC Foundation and Alumni Affairs
Bill Bogle, Controller

Attachments:

12082015_Foundation Audit Report FY14-15
12082015_AAD SAS 114 Letter

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To the Board of Directors
Riverside Community College District Foundation

We have audited the financial statements of Riverside Community College District Foundation (the "Foundation") for the year ended June 30, 2015, and have issued our report thereon dated October 21, 2015. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 23, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The fair market value of investments is based upon market analysis as of June 30, 2015. We have obtained information from the investment managers in determining the fair presentation of these amounts.
- Management's estimate of the allowance for uncollectible promises to give is based on an amount determined to be reasonable by management that is at least one percent of total promises to give, or specifically identified past due pledges that are likely to be uncollectible.
- Management's estimate of fair market value of donated services and materials, which is based on the actual cost of donated materials and hours allocated to the Foundation at the prevailing wage rate for the employees involved in the Foundation's activities, and cost of materials which is expected to approximate fair value at the time of donation.

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- Management's estimate of the allocation of functional expenses is based on usage, percentage of total, and direct allocation of expenses.

We evaluated the key factors and assumptions used to develop the management estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Ahern Adcock Devlin LLP

Riverside, California
October 21, 2015

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

Shannon M. Carlson, CPA
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Independent Auditors' Report

To the Board of Directors
Riverside Community College District Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Riverside Community College District Foundation (the "Foundation") (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

Auditors' 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 audits 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 auditors' judgment, including the assessment of 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 Foundation'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 Foundation'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside Community College District Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Ahern Adcock Devlin LLP

Riverside, California
October 21, 2015

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Financial Position

June 30,	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents		
Unrestricted	$ 440,265	$ 752,474
Restricted	611,646	345,660
Accounts receivable		8,897
Unconditional promises to give, net of allowance	53,816	44,720
Prepaid expense		2,000
Total current assets	1,105,727	1,153,751
Noncurrent assets		
Investments - restricted	6,842,957	6,453,838
Beneficial interest in Foundation for California Community Colleges Osher Endowment	365,168	365,168
Long-term unconditional promises to give, net of allowance	44,535	50,025
Total noncurrent assets	7,252,660	6,869,031
Total assets	$8,358,387	$8,022,782
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 165,157	$ 180,108
Refundable advance		94,677
Promises to give to others	97,138	97,138
Total current liabilities	262,295	371,923
Total liabilities	262,295	371,923
Net assets		
Unrestricted		
Undesignated	217,905	116,115
Board designated	18,653	18,952
Total unrestricted net assets	236,558	135,067
Temporarily restricted	1,387,035	1,234,365
Permanently restricted	6,472,499	6,281,427
Total net assets	8,096,092	7,650,859
Total liabilities and net assets	$8,358,387	$8,022,782

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Activities and Changes in Net Assets

	For the Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND RECLASSIFICATIONS				
Donations	$ 116,051	$ 959,774	$ 198,814	$1,274,639
In-kind donations				
Donated assets	47,043			47,043
Donated material	25,064			25,064
Donated services	465,732			465,732
Total revenues	653,890	959,774	198,814	1,812,478
Assets released from restriction	1,010,898	(810,301)	(200,597)	-
Total revenues and reclassifications	1,664,788	149,473	(1,783)	1,812,478
EXPENSES				
Operating expenses	296,852			296,852
Program expenses	1,142,622			1,142,622
Fundraising expenses	129,815			129,815
Total expenses	1,569,289	-	-	1,569,289
OTHER INCOME AND EXPENSES				
Realized gain on sale of investments	9,674	5,161	311,353	326,188
Unrealized gain (loss) on investments	(5,987)	(3,193)	(192,673)	(201,853)
Interest and dividends income	2,305	1,229	74,175	77,709
Total other income and expenses	5,992	3,197	192,855	202,044
Change in net assets	101,491	152,670	191,072	445,233
Net assets, beginning of year	135,067	1,234,365	6,281,427	7,650,859
Net assets, end of year	$ 236,558	$1,387,035	$6,472,499	$8,096,092

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

For the Year Ended June 30, 2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 110,044	$ 1,197,337	$ 104,326	$1,411,707
22,997			22,997
24,934			24,934
438,922			438,922
596,897	1,197,337	104,326	1,898,560
1,223,388	(1,023,238)	(200,150)	-
1,820,285	174,099	(95,824)	1,898,560
309,604			309,604
1,316,591			1,316,591
89,030			89,030
1,715,225	-	-	1,715,225
1,065	958	56,524	58,547
12,487	11,227	662,382	686,096
1,042	936	55,256	57,234
14,594	13,121	774,162	801,877
119,654	187,220	678,338	985,212
15,413	1,047,145	5,603,089	6,665,647
$ 135,067	$ 1,234,365	$6,281,427	$7,650,859

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Cash Flows

For the Years Ended June 30,	2015	2014
Cash flows from operating activities		
Change in net assets	$ 445,233	$ 985,212
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gain on investments	(326,188)	(686,096)
Unrealized loss on investments	201,853	(58,547)
Provision for doubtful accounts	400	(2,179)
(Increase) decrease in:		
Accounts receivable	8,897	24,584
Prepaid expenses	2,000	500
Unrestricted unconditional promises to give	(9,496)	30,316
Increase (decrease) in:		
Accounts payable	(14,951)	114,254
Refundable advance	(94,677)	(101,714)
Net cash provided by operating activities	213,071	306,330
Cash flows from investing activities		
Purchase of investments	(264,784)	(3,132,264)
Proceeds from sale of investments		2,475,939
Net cash used in investing activities	(264,784)	(656,325)
Cash flows from financing activities		
Change in long-term unconditional promises to give	5,490	27,850
Payments on promises to give to others		(58,444)
Changes in restricted cash	(265,986)	321,617
Net cash provided by (used in) financing activities	(260,496)	291,023
Net change in cash and cash equivalents	(312,209)	(58,972)
Cash and cash equivalents		
Balance, beginning of year	752,474	811,446
Balance, end of year	$ 440,265	$ 752,474

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Statements of Functional Expenses

	For the Year Ended June 30, 2015			
	Operating	Program	Fundraising	Total
In-kind distributions				
Donated assets		$ 47,043		$ 47,043
Donated materials	$ 25,064			25,064
Donated services	220,151	115,766	$129,815	465,732
Support – instructional and student programs		357,463		357,463
Scholarships		412,844		412,844
Printing	10,576	7,674		18,250
Allowance for uncollected pledges	(46)	3,902		3,856
Investment fees		49,530		49,530
Office supplies				
Postage	196			196
Other services	40,911	148,400		189,311
Total expenses	$296,852	$1,142,622	$129,815	$1,569,289

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

For the Year Ended June 30, 2014			
Operating	**Program**	**Fundraising**	**Total**
	$ 22,997		$ 22,997
$ 24,934			24,934
260,888	93,398	$84,636	438,922
	415,069		415,069
	504,730		504,730
4,495	4,495	4,394	13,384
	15,146		15,146
	45,404		45,404
400			400
190			190
18,697	215,352		234,049
$309,604	$1,316,591	$89,030	$1,715,225

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

The Riverside Community College District Foundation (the "Foundation") was formed as a nonprofit corporation on October 21, 1975, to solicit funds, provide support for the programs and projects of the Riverside Community College District (the "District"), and to account for the issuance of scholarships to the students of the District. The Foundation also serves as a link between the District and the community.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Foundation.

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. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financially interrelated organizations as defined by the Financial Accounting Standards Board (FASB), Accounting Standards Codification 958-20, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others* (formerly FAS 136). 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 program expenses.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Net Asset Classifications

Unrestricted net assets are not restricted by donors, or the donor–imposed restrictions have expired.

Temporarily restricted net assets contain donor–imposed restrictions that permit the Foundation to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets contain donor–imposed restrictions and stipulate that the resources be maintained permanently, but permit the Foundation to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. As restrictions on the net assets expire, due to time passing and earnings becoming available for expenditure, the funds are released to either temporarily restricted net assets or unrestricted net assets as applicable.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Expiration of Donor-Imposed Restrictions

Temporarily restricted net assets have donor-imposed restrictions that permit the Foundation to use up or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation. As the restrictions expire and become available for expenditure, the funds are released to unrestricted net assets.

Endowment Funds

The Foundation endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which has been enacted by the State of California. Donations made to the Foundation are classified as permanently restricted if the donor has stipulated the donation is to be held in perpetuity by the Foundation.

The Foundation has a spending policy which governs the funds to be transferred from the endowment. If the donor has provided endowment funds that are permanently restricted, the Foundation will obtain from the donor a description of any further restrictions to be placed on any earnings from the permanently restricted funds. If there are further restrictions, either program or time restrictions, the earnings are considered temporarily restricted until such time as the restrictions are met. Unspent earnings are returned to the corpus if required by the original agreement with the donor.

The Foundation's investment policy for endowment funds is to preserve and enhance the purchasing power while providing a relatively predictable, stable, and constant stream of earnings consistent with the Foundation's spending needs to enable the Foundation to provide scholarships to District students. Investments will be diversified to avoid undue risk and will be sufficiently liquid to meet operating requirements. Annual spending parameters take into consideration the rate of inflation and real growth of the pooled investment fund. Spending percentage will be equal to average earnings of the past three years, less inflation rate, at a maximum of 4.5 percent of a three-year average market value.

The permanently restricted balances at June 30, 2015 and 2014 were $6,472,499 and $6,281,427, respectively, and the balances designated by the board for scholarships were $18,653 and $18,952, respectively. The endowment funds consist of pooled investment funds. The activity in the permanently restricted net asset class is reflected in the statement of activities and changes in net assets. Amounts appropriated for expenditures and/or reclassification are shown as net assets released from restriction. Board designated balance is included in the unrestricted net asset class.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as assets are released from restriction between the applicable classes of net assets.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the time of the gift.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets, services, and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets, if received for the benefit of the Foundation, are capitalized at the stated donated value and depreciated in accordance with Foundation policies. When they are passed through to the District, they are recorded as revenue from in-kind donations and expensed as in-kind distributions. During the years ended June 30, 2015 and 2014, all donated assets have been passed through to the District. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value.

Use of Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and accompanying notes. While management believes that these estimates are adequate, actual results could differ from those estimates.

Currently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue Recognition (Topic 606)*. This accounting principle is effective for fiscal years beginning after December 15, 2018, is not to be applied retroactively, and early adoption is not permitted. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The Foundation is currently assessing the potential impact of implementing this standard.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies (Continued)

Income Tax

The Foundation is a charitable not-for-profit organization and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue and Code Section 23701(d) of the California Revenue and Taxation Code. The Foundation is no longer subject to United States of America federal or state examinations by tax authorities for the years before 2011 and 2010, respectively. There were no unrelated business activities during the years ended June 30, 2015 and 2014.

As required by FASB ASC No. 740, *Income Taxes*, the Foundation evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

During the years ended June 30, 2015 and 2014, the Foundation did not recognize any interest or penalties associated with any tax positions.

Cash Equivalents for Statements of Cash Flows

For purposes of the statements of cash flows, the Foundation considers all highly liquid unrestricted investments available for current use purchased with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined the amount of allowance for uncollectible promises to give at June 30, 2015 and 2014 to be $5,176 and $4,776, respectively.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

2. Concentration of Risk

The Foundation has cash and cash equivalents in financial institutions that may or may not be insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. At various times throughout the year, the Foundation may have cash balances at financial institutions which exceed the FDIC insurance limit. Additionally, the Foundation deposits are covered under the collateralization of governmental funds agreement which provides for collateralization of deposits with eligible securities at a rate of 110 percent of the deposit on hand. As of June 30, 2015, the balances held in financial institutions of $337,000 were not fully insured, but were collateralized with securities held by the financial institution, but not in the Foundation's name. Management reviews the balances and 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.

3. Unconditional Promises to Give

Unconditional promises to give at June 30, 2015 and 2014 consist of pledges and are due within the following schedule:

	June 30,	
	2015	2014
Due within one year	$56,648	$46,863
Less allowance for uncollectible promises to give	(2,832)	(2,143)
Total	$53,816	$44,720

	June 30,	
	2015	2014
Due within one to five years	$46,879	$52,658
Less allowance for uncollectible promises to give	(2,344)	(2,633)
Total	$44,535	$50,025

4. Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	2015		
	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$1,918,223	$2,094,820	$176,597
Corporate bonds	1,142,917	1,153,436	10,519
Government bonds	73,885	76,267	2,382
Mutual funds	3,462,086	3,518,434	56,348
	$6,597,111	$6,842,957	$245,846

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments (Continued)

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2014:

	2014		
	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$1,737,416	$2,023,889	$286,473
Corporate bonds	874,528	891,636	17,108
Government bonds	82,639	85,086	2,447
Mutual funds	3,240,089	3,453,227	213,138
	$5,934,672	$6,453,838	$519,166

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard 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 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 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 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 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 3 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. This category generally includes certain private equity investments, where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

4. Investments (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014:

Equities: Valued at the closing price in the active market on which the individual equities are traded.

Corporate and government bonds: Valued at the closing price reported in the active market on which the individual securities are traded.

Mutual funds: Valued at the closing price reported in the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the balance of assets measured at fair value for 2015. There were no liabilities outstanding and measured at fair value as of June 30, 2015.

	Carrying Value at June 30, 2015	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,229,703	$1,229,703	$ -	$ -
Investments – equities	2,094,820	2,094,820		
Mutual funds	3,518,434	3,518,434		
	$6,842,957	$6,842,957	$ -	$ -

The table below presents the balance of assets measured at fair value for 2014. There were no liabilities outstanding and measured at fair value as of June 30, 2014.

	Carrying Value at June 30, 2014	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$ 976,722	$ 976,722	$ -	$ -
Investments – equities	2,023,889	2,023,889		
Mutual funds	3,453,227	3,453,227		
	$6,453,838	$6,453,838	$ -	$ -

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

5. Beneficial Interest in Foundation for California Community Colleges Osher Endowment

The RCCD Foundation is participating in a gift-match program in conjunction with the Foundation for California Community Colleges and the Bernard Osher Foundation. There are two types of Osher Foundation Scholarships that the Foundation for California Community Colleges is managing. The first sets of scholarships were completely funded through an initial donation of $25,000,000 from the Osher Foundation and were allocated to each of the 112 California Community Colleges. Each year, Riverside Community College District Foundation receives scholarships to award based upon the Osher Foundation criteria. The RCCD Foundation does not include this investment on its financial statements.

The second sets of scholarships are funded through donations received by the RCCD Foundation and are included in the RCCD Foundation's financial statements with the approval of the Foundation for California Community Colleges. The value stated includes only the actual donation amount and does not include the Osher Foundation gift-match amount. All of the funds are managed by an investment firm hired by the Foundation for California Community Colleges.

6. Accounts Payable

Accounts payable for the Foundation consisted of the following:

	June 30,	
	2015	2014
Payable to District for program expenses	$164,321	$176,177
Vendor payables	836	3,931
	$165,157	$180,108

7. Refundable Advances

During the year ended June 30, 2012, the Foundation was awarded a $350,000 grant to develop an education model in conjunction with a local unified school district through the fall of 2014. As of June 30, 2015, $350,000 of the $350,000 total grant was received. Of the total received, $255,323 had been spent on program expenses and thus recognized as revenue through the year ended June 30, 2014. The remaining unspent amount of $94,677 was spent on program expenses and recognized as revenue in the year ended June 30, 2015.

8. Net Assets

At June 30, 2015 and 2014, unrestricted net assets included $18,653 and $18,952, respectively, designated by the board of directors for scholarships.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Notes to Financial Statements

8. Net Assets (Continued)

At June 30, temporarily restricted net assets were available for the following purposes:

	2015	2014
Scholarships	$ 408,149	$ 354,837
Programs	978,886	879,528
	$1,387,035	$1,234,365

At June 30, 2015 and 2014, permanently restricted net assets consisted of $6,472,499 and $6,281,427, respectively, with investment earnings restricted for scholarships.

9. Related Party Transactions

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as instructional and student programs and scholarship expense. The Foundation has contributed $357,463 and $415,069 to the District for student programs for the years ended June 30, 2015 and 2014, respectively. The Foundation has contributed $412,844 and $504,730 to the District for student scholarships for the years ended June 30, 2015 and 2014, respectively. Additionally, the Foundation promised to give a total $5,833,783, of which $1,700,000 and $3,054,000 were to be passed through from the County of Riverside and the City of Riverside, respectively, under a memorandum of understanding with the District for construction of the Aquatics Complex. As of June 30, 2015 and 2014, the Foundation owed the District $97,138 and $97,138, respectively.

The District provides office space and other support to the Foundation. The Foundation office is currently housed in a building, which is owned by the District, and is jointly used by both the District and the Foundation. The Foundation leases the property at a cost of $1.00 per year. This agreement expires November 30, 2018.

The Foundation received contributed employee services, other professional services, and materials valued at $490,796 and $463,856 from the District for the years ended June 30, 2015 and 2014, respectively.

10. Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The volatility of the market and credit institutions after June 30, 2015 could have a significant, negative effect on the Foundation's investments.

11. Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 21, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.