# RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
**(A California Nonprofit Corporation)**

## FINANCIAL STATEMENTS

**For the Fiscal Year Ended June 30, 2019**
**With Comparative Totals for the Fiscal Year Ended June 30, 2018**
**and**
**Independent Auditors' Report**

**RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION**

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**June 30, 2019**

CliftonLarsonAllen LLP
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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Riverside Community College District Foundation
Riverside, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the Riverside Community College District Foundation (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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 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, we consider 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.

## INDEPENDENT AUDITOR'S REPORT

Board of Directors
Riverside Community College District Foundation
Riverside, California

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Emphasis of a Matter

*Change in Accounting Principles*

As discussed in Note 2 to the financial statements, Riverside Community College District Foundation adopted the Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* Our auditors' opinion was not modified with respect to that matter to the implementation.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**
Glendora, California
November 5, 2019

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

## STATEMENT OF FINANCIAL POSITION
## June 30, 2019
### *With Comparative Totals as of June 30, 2018*

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Assets** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ 496,339 | $ 469,689 |
| Operating investments | 303,398 | 248,215 |
| Accounts receivable | 200 | 17,567 |
| Pledge receivable - current portion | 248,790 | 135,859 |
| Prepaid expenses | - | 12,743 |
| **Total Current Assets** | $ 1,048,727 | $ 884,073 |
| **Non-Current Assets:** | | |
| Investments | 10,743,901 | 9,378,007 |
| Funds held with FCCC | 454,164 | 454,164 |
| Pledges receivable, net | 297,493 | 506,192 |
| Split interest agreements receivable | 2,029,318 | 2,083,503 |
| **Total Non-Current Assets** | 13,524,876 | 12,421,866 |
| **Total Assets** | $ 14,573,603 | $ 13,305,939 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 86,545 | $ 3,982 |
| Due to Riverside Community College District | 232,475 | 130,951 |
| Refundable advances | 561,596 | 187,082 |
| **Total Current Liabilities** | 880,616 | 322,015 |
| **Net Assets:** | | |
| Without donor restrictions | 631,231 | 549,070 |
| With donor restrictions | 13,061,756 | 12,434,854 |
| **Total Net Assets** | 13,692,987 | 12,983,924 |
| **Total Liabilities and Net Assets** | $ 14,573,603 | $ 13,305,939 |

See accompanying notes to the financial statements.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

### STATEMENT OF ACTIVITIES
### For the Fiscal Year Ended June 30, 2019
***With Comparative Totals for the Fiscal Year Ended June 30, 2018***

| | June 30, 2019 | | | June 30, 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Support and Revenues** | | | | |
| **Support** | | | | |
| Contributions | $ 98,691 | $ 983,268 | $ 1,081,959 | $ 875,049 |
| Grants | | 412,630 | 412,630 | 322,803 |
| Special events | | 225,386 | 225,386 | 103,087 |
| Administrative fees | 145,890 | | 145,890 | 115,756 |
| Donated salaries and benefits | 619,135 | | 619,135 | 550,701 |
| Donated facilities | 11,326 | | 11,326 | 10,808 |
| In-kind donations | 40,273 | | 40,273 | 41,378 |
| **Total Support** | 915,315 | 1,621,284 | 2,536,599 | 2,019,582 |
| **Other Income Gains and Losses** | | | | |
| Investment income | 28,479 | 452,104 | 480,583 | 718,756 |
| Change in value - split interest agreements | | (54,185) | (54,185) | 47,652 |
| Change in value - funds held by FCCC | | - | - | 7,327 |
| **Total Other Income Gains and Losses** | 28,479 | 397,919 | 426,398 | 773,735 |
| Total revenues before net assets released from restrictions | 943,794 | 2,019,203 | 2,962,997 | 2,793,317 |
| Net assets released from restrictions | 1,392,301 | (1,392,301) | - | - |
| **Total Support and Revenues** | 2,336,095 | 626,902 | 2,962,997 | 2,793,317 |
| **Operating Expenses** | | | | |
| Program | | | | |
| Student and college support | 1,079,509 | | 1,079,509 | 1,036,084 |
| Grant fulfillment | 376,228 | | 376,228 | 200,007 |
| Supporting services | | | | |
| Management and general | 517,454 | | 517,454 | 524,285 |
| Fundraising | 280,743 | | 280,743 | 219,280 |
| **Total Expenses** | 2,253,934 | - | 2,253,934 | 1,979,656 |
| **Change in net assets** | 82,161 | 626,902 | 709,063 | 813,661 |
| **Net Assets** | | | | |
| Beginning of year | 549,070 | 12,434,854 | 12,983,924 | 12,170,263 |
| End of year | $ 631,231 | $ 13,061,756 | $ 13,692,987 | $ 12,983,924 |

See accompanying notes to the financial statements.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

## STATEMENT OF CASH FLOWS
**For the Fiscal Year Ended June 30, 2019**
***With Comparative Totals for the Fiscal Year Ended June 30, 2018***

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash received from donations, grants and fundraisers | $ 1,858,981 | $ 1,133,617 |
| Cash paid for student scholarships, grants and campus programs | (555,251) | (862,538) |
| Cash paid for operating expenses and fundraising | (669,812) | (307,827) |
| Net cash provided (used) by operating activities | 633,918 | (36,748) |
| **Cash flows from investing activities** | | |
| Reinvested interest and dividends, net of expense | 28,700 | 230,628 |
| Proceeds from sale of investments | 946,330 | 113,057 |
| Purchase of investments | (1,811,406) | (490,554) |
| Net cash used by investing activities | (836,376) | (146,869) |
| **Cash flows from financing activities** | | |
| Cash received from endowed donations | 229,108 | 284,589 |
| Net cash provided by financing activities | 229,108 | 284,589 |
| **Net increase (decrease) in cash and cash equivalents** | 26,650 | 100,972 |
| Cash and cash equivalents, beginning of year | 469,689 | 368,717 |
| Cash and cash equivalents, end of year | $ 496,339 | $ 469,689 |
| **Reconciliation of change in net assets to cash provided (used) by operating activities** | | |
| Change in net assets | $ 709,063 | $ 813,661 |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities | | |
| Realized and unrealized gains on investments | (451,883) | (488,128) |
| Reinvested interest and dividends, net of expense | (28,700) | (230,628) |
| Donated stock | - | (21,220) |
| Endowed contributions | (229,108) | (284,589) |
| Allowance and write off of uncollectible accounts, net | 15,417 | 33,809 |
| Change in value - split interest agreements | 54,185 | (47,652) |
| Change in value - funds held by FCCC | - | (7,327) |
| Change in operating assets - (increase) decrease: | | |
| Accounts receivable | 17,367 | 10,058 |
| Pledges receivable, net | (23,767) | 170,795 |
| Prepaid | 12,743 | (12,743) |
| Change in operating liabilities - increase (decrease): | | |
| Accounts payable | 82,563 | 3,982 |
| Due to Riverside Community College District | 101,524 | 65,600 |
| Refundable advances | 374,514 | (42,366) |
| **Net cash provided (used) by operating activities** | $ 633,918 | $ (36,748) |

See accompanying notes to the financial statements.

## RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES
**For the Fiscal Year Ended June 30, 2019**
***With Comparative Totals for the Fiscal Year Ended June 30, 2018***

| | June 30, 2019 | | | | | | June 30, 2018 |
|---|---|---|---|---|---|---|---|
| | Student and College Support | Grant Fulfillment | Total Program | Management and General | Fundraising | Total | Total |
| Donated salaries and benefits | $ 116,449 | $ | $ 116,449 | $ 327,448 | $ 163,912 | $ 607,809 | $ 550,701 |
| Donated facilities | 2,170 | | 2,170 | 6,102 | 3,054 | 11,326 | 10,808 |
| In-kind donations | | | - | 51,599 | | 51,599 | 41,378 |
| Scholarships | 470,565 | 3,588 | 474,153 | | | 474,153 | 541,042 |
| Support - instructional and student programs | 31,297 | 49,801 | 81,098 | | | 81,098 | 321,496 |
| Professional fees | | | - | 8,033 | 16,193 | 24,226 | 25,349 |
| Printing | 76 | | 76 | | | 76 | 3,392 |
| Office expenses | 115,332 | | 115,332 | 5,100 | | 120,432 | 5,138 |
| Postage, shipping and delivery | | | - | 265 | | 265 | 165 |
| Insurance | | | - | | | - | 1,597 |
| Equipment | 16,361 | | 16,361 | 17,722 | | 34,083 | 74,326 |
| Meetings and conferences | | | - | | | - | 1,978 |
| Travel | | 771 | 771 | | | 771 | 817 |
| Memberships and dues | | | - | | | - | 145 |
| Advertising | | | - | | | - | 435 |
| Special events | | | - | | 97,584 | 97,584 | 60,037 |
| Contract services | 176,683 | 141,576 | 318,259 | | | 318,259 | 100,980 |
| Administrative fees | 121,272 | 24,618 | 145,890 | | | 145,890 | 115,756 |
| Allowance and write off of uncollectible pledges receivable, net | | | - | 15,417 | | 15,417 | 33,809 |
| Other expenses | 29,304 | 155,874 | 185,178 | 85,768 | | 270,946 | 90,307 |
| | $ 1,079,509 | $ 376,228 | $ 1,455,737 | $ 517,454 | $ 280,743 | $ 2,253,934 | $ 1,979,656 |

See accompanying notes to the financial statements.

## NOTE 1: ORGANIZATION

The Riverside Community College District Foundation (the Foundation), is a nonprofit public benefit corporation incorporated in the State of California 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.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Donations, other than cash, or the equivalent of cash, are recorded at estimated fair value at the time of the donation.

### Classification of Net Assets

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

**Net Assets Without Donor Restrictions**

Net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for board-designated endowment.

**Net Assets With Donor Restrictions**

Net assets subject to donor imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Cash and Cash Equivalents

Cash and cash equivalents are considered to be all cash available for immediate use. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds. Cash held temporarily in the long-term investment portfolio (until suitable investments are identified) is excluded from cash and cash equivalents.

### Accounts Receivable

Accounts receivable consists primarily of interest and donations receivable. Bad debts are accounted for by the direct write off method. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

### Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are due in more than one year are recognized at fair value using the applicable mid-term federal rate published by the Internal Revenue Service (IRS) for the month of June 2019 and 2018. Amortization of the discount is included in contribution revenue.

The Foundation has net pledges receivables for unconditional promises to give in the amount of $546,283 and $642,051 at June 30, 2019 and 2018, respectively. Management has reviewed the collectability of these pledges and determines the balances to be fully collectable; however, a 5% allowance of uncollectable pledges is established. A plan to regularly evaluate pledges receivable and the potential collectability is in place and reviewed throughout the year. The allowance and write off of uncollectable pledges receivable is netted in the statement of functional expense.

### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Split-Interest Agreements

The Foundation has two charitable remainder trusts and one testamentary trust, referred to as split-interest agreements. The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. The charitable remainder trusts are administered by a third-party. Assets associated with the split-interest agreements are recognized at the present value of the estimated future benefits of the agreement.

### Accounts Payable

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

### Functional Allocations of Expenses

The costs of providing the various programs and supporting services 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.

### Administrative Fee

To allow for sufficient operating support, a 5% administrative fee may be assessed on all new gifts to the Foundation. In addition, an annual fee of up to 2% may be charged on all gifts. These fee assessments are reviewed on an annual basis.

### Contributions and Contribution Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

The gifts are reported as 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 as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### In-Kind Donations

The Foundation receives donations of non-cash items, such as equipment, from various businesses and foundations. This equipment is integral to the training and education programs provided by the Colleges and is passed through directly to the District for use in the educational programs. In addition, certain costs for goods and services are paid for by the District on the Foundation's behalf. Donated items with a value of less than $5,000 are recorded at the donor's estimated value. When the value of the equipment has not been substantiated by appraisal reports, it is not included within the financial statements as support or expense.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Reclassifications

Certain reclassifications to the summarized comparative information have been made to conform to the current year presentation. The reclassifications has no effect on the previously reported net assets or change in net assets.

### Comparative Totals

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2018.

### Income Taxes

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California.

### Change in Accounting Principle

On August 18, 2016, 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, 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 implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

### Subsequent Events

The Foundation has evaluated subsequent events through November 5, 2019, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2019.

## NOTE 3: 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 date, comprise the following:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 200,000 | $ 200,000 |
| Pledge receivable - current portion | 20,042 | 5,783 |
| Operating investments | 303,398 | 248,215 |
| Total | $ 523,440 | $ 453,998 |

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of $200,000 in short-term investments, certificate of deposits, and money market funds. Donor-restricted cash and cash equivalents are not available for general expenditure.

Our board-designated endowment is subject to an annual spending rate of 4.5% as described in Note 11. At June 30, 2019 and 2018, the board-designated endowment was $84,493 and

## NOTE 3: LIQUIDITY AND AVAILABILITY

$81,272, respectively. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Our endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

## NOTE 4: CONCENTRATION OF CREDIT RISK

### Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts, with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due organizations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

### Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of $250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC).

### Investments

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000 of which $250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of June 30, 2019 the Foundation had investments in excess of the SIPC insurance amount. The Foundation followed established policies in directing and monitoring the investment management of the Foundation's investments during the year.

## NOTE 5: INVESTMENTS

Realized losses result from the sale of investments below historical cost. Unrealized losses result from the decline in market value of investments held from period to period.

Cost and fair values at June 30, 2019 and 2018, are as follows:

| | June 30, 2019 | | June 30, 2018 | |
|---|---|---|---|---|
| Investments | Cost | Fair Value | Cost | Fair Value |
| Cash and cash equivalents | $ 615,998 | $ 615,998 | $ 103,493 | $ 103,493 |
| Fixed Income (Level 1) | 4,924,289 | 4,965,541 | 3,451,894 | 3,386,543 |
| Equities (Level 1) | 4,499,568 | 5,465,760 | 4,932,653 | 6,136,186 |
| Total | $ 10,039,855 | $ 11,047,299 | $ 8,488,040 | $ 9,626,222 |

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value of measurement is determined as follows:

- Level 1 – quoted prices in an active market for identical assets.
- Level 2 – quoted prices for similar assets and market-corroborated inputs.
- Level 3 – the organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investment return for the fiscal year ended June 30, 2019 and 2018 was as follows:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Realized gain on investments | $ 576,785 | $ 103,576 |
| Unrealized gain (loss) on investments | (124,902) | 384,552 |
| Interest and dividends | 87,776 | 296,935 |
| Investment return | 539,659 | 785,063 |
| Investment expenses | (59,076) | (66,307) |
| Net investment return | $ 480,583 | $ 718,756 |

## NOTE 6: SPLIT INTEREST AGREEMENTS

The Foundation is the beneficiary of three split-interest agreement (two charitable remainder unitrusts and one testamentary trust) for which the Foundation is not the administrator. The Foundation recognized the present value of the estimated future benefits of the agreement to be received as restricted contribution revenue and as a receivable when notified of the agreement.

## NOTE 6: SPLIT INTEREST AGREEMENTS

Contributions receivable from split-interests agreements totaled $2,029,318 and $2,083,503 at June 30, 2019 and 2018, respectively. The Foundation will not receive its share of the trust assets until the last heir to the estates passes away.

## NOTE 7: PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2019 are as follows:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Receivable - less than one year | $ 248,790 | $ 135,859 |
| Receivable - one to five years | 334,712 | 550,757 |
| Gross unconditional pledges | 583,502 | 686,616 |
| Less: discount | (37,219) | (44,565) |
| Net pledges receivable | $ 546,283 | $ 642,051 |

Pledges receivable have been discounted to present value using a discount rate of 2.16% in fiscal year 2018-19 and 2.17% in fiscal year 2017-18.

## NOTE 8: REFUNDABLE ADVANCES

The Foundation solicits and receives various grants on the District's behalf. These grants are received and held by the Foundation and passed through to the District when the funds have been spent according to the grant's purpose. Funds not spent must be returned; therefore, grant proceeds are recorded as refundable advances. At June 30, 2019 and 2018, refundable advances held by the Foundation on the District's behalf are $561,596 and $187,082, respectively.

## NOTE 9: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

The Foundation has transferred a total of $365,253 to the FCCC for Osher Scholarships and a donation of $26,668 was made on the Foundation's behalf for Sempra Energy Scholarships. These funds are invested in a pooled investment fund held by the FCCC (Level 2). At June 30, 2019 the fair value of these pooled investments totaled $457,121, which consisted of cash of $9,550, equity securities of $308,958, and fixed income instruments of $138,613. The net investment gain of $24,957 and fund distribution from investment return of $22,000 were not

## NOTE 9: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

recognized during the fiscal years ended June 30, 2019. At June 30, 2018 the fair value of these pooled investments totaled $454,164, which consisted of cash of $22,708, equity securities of $313,373, and fixed income instruments of $118,082. The net investment gain of $27,862 and fund distribution from investment return of $20,534 was recognized as change in value, FCCC investment during fiscal year ended June 30, 2018.

### FCCC Net Assets as of June 30, 2019

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Osher Scholarships | $ 424,447 | $ 421,809 |
| Sempra Energy Scholarships | 32,674 | 32,355 |
| | $ 457,121 | $ 454,164 |

### Changes in FCCC Net Assets for the Fiscal Year Ended June 30, 2019

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Endowment net assets, beginning of year | $ 454,164 | $ 446,836 |
| Investment return: | | |
| Investment income, net of expenses | 9,843 | 7,338 |
| Net appreciation (realized and unrealized) | 15,114 | 20,524 |
| Total investment return | 24,957 | 27,862 |
| Other changes: | | |
| Fund distributions | (22,000) | (20,534) |
| Total other changes | (22,000) | (20,534) |
| Change in value - funds held by FCCC | 2,957 | 7,328 |
| Endowment net assets, end of year | $ 457,121 | $ 454,164 |

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous $50 million matching commitment from the Osher Foundation and an initial contribution of $25 million. The CCCSE began to distribute scholarship funding from the initial $25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at $1,000 for a school year. For the year ended June 30, 2019 and 2018, the Foundation received $68,200 and $63,286, respectively, from the Osher Scholarship Fund for scholarships.

## NOTE 10: ENDOWMENT

The Foundation's endowment consists of various endowments established for scholarships and educational program purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Trustees of the Manor has interpreted the Uniform Prudent Management of Institutional Funds Act (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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriations for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. As such, the Board has adopted a policy which treats realized and unrealized gains and losses as income on all Endowment Funds.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:
1) The duration and preservation of the fund
2) The purposes of the organization and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the organization
7) The investment policies of the organization

## NOTE 10: ENDOWMENT

### Endowment Net Asset Composition by Type of Fund as of June 30, 2019

| | June 30, 2019 | | | June 30, 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Donor-restricted | $ | $ 7,903,920 | $ 7,903,920 | $ 7,426,910 |
| Board-designated | 84,493 | | 84,493 | 72,898 |
| | $ 84,493 | $ 7,903,920 | $ 7,988,413 | $ 7,499,808 |

### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019

| | June 30, 2019 | | | June 30, 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Endowment net assets, beginning of year | $ 81,272 | $ 7,418,536 | $ 7,499,808 | $ 6,906,335 |
| Contributions | | 229,108 | 229,108 | 284,589 |
| Investment return: | | | | |
| Investment income, net of expenses | 276 | 26,327 | 26,603 | 93,216 |
| Net appreciation (realized and unrealized) | 4,405 | 419,890 | 424,295 | 554,114 |
| Total investment return | 4,681 | 446,217 | 450,898 | 647,330 |
| Other changes: | | | | |
| Distributions | (1,460) | (189,941) | (191,401) | (338,446) |
| Total other changes | (1,460) | (189,941) | (191,401) | (338,446) |
| Endowment net assets, end of year | $ 84,493 | $ 7,903,920 | $ 7,988,413 | $ 7,499,808 |

### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Directors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported in net assets without donor restrictions as of June 30, 2019 and 2018.

## NOTE 10: ENDOWMENT

### Return Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to balance safety of principal, growth of principal and generation of income.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation invests the funds for long-term growth and income, while preserving principal with minimum risk.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy which allows an annual spending limit of no more than 4.5% of a trailing three-year average of the total Endowment market value calculated on June 30 of each year.

## NOTE 11: FUNCTIONAL EXPENSE

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort.

## NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the year ended June 30, 2019 and 2018:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Satisfaction of Purpose Restrictions** | | |
| Scholarships | $ 474,153 | $ 541,042 |
| Grant fulfillment | 376,228 | 200,007 |
| Other restricted programs | 541,920 | 317,652 |
| Total net assets released from donor restrictions | $ 1,392,301 | $ 1,058,701 |

## NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Subject to expenditure for specific purpose:** | | |
| Scholarships | $ 439,089 | $ 414,436 |
| Other restricted programs | 1,694,134 | 1,397,182 |
| Pledges receivable for scholarships and other restricted programs | 293,151 | 460,383 |
| **Subject to passage of time for specific purpose:** | | |
| Split interest agreements held by others | 2,029,318 | 2,083,503 |
| **Not subject to spending policy or appropriations:** | | |
| Investments held with FCCC in perpetuity (including amounts above original transfer amount of $391,921): | | |
| Osher scholarships | 421,809 | 421,809 |
| Sempra scholarships | 32,335 | 32,355 |
| **Subject to spending policy and appropriation:** | | |
| Investment in perpetuity (including amounts above original gift amount of $6,309,037 and $6,069,051), the income from which is expendable to support: | | |
| Pledges receivable for endowed scholarships | 248,000 | 206,650 |
| Endowed scholarships | 7,903,920 | 7,418,536 |
| Net assets with donor restrictions | $ 13,061,756 | $ 12,434,854 |

## NOTE 13: RELATED PARTY

The Foundation was organized as an independent organization under California Business Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays salaries and benefits of the executive director, assistant director, and three administrative positions. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. In return, the Foundation provides various levels of monetary support and service to the District. These transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The donated services and facilities for the fiscal year ended June 30, 2019 were valued at $619,135 and $11,326. The donated services and facilities for the fiscal year ended June 30, 2018 were valued at $550,701 and $10,808. These were recognized in the financial statements as donated services and facilities and operating expenses. In addition, certain expenses for professional services, supplies and equipment for the Foundation were paid for by the District. For the fiscal years ended June 30, 2019 and 2018, these expenses were valued at $40,273 and $41,378, respectively, and are recognized as in-kind donations and operating expenses.

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

November 5, 2019

The Board of Directors
Riverside Community College District Foundation
Riverside, California

We have audited the financial statements of Riverside Community College District Foundation (the Foundation) for the year ended June 30, 2019, and have issued our report thereon dated November 5, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 July 26, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Accounting Policies
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018-19.

As described in Note 2, the entity implemented Accounting Standards Update (ASU) No. 2016-14 Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* during the fiscal year 2018-19. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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
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 are:

> *Allowances for Uncollectable Accounts* – The Foundation utilizes the reserve method of accounting for bad debts and evaluates its ability to collect pledges receivable based on specific donor

circumstances, current economic conditions and trends, historical experience and the age of past due pledges receivable. See Notes 2 and 6.

*Fair Value of Pledges Receivable* – Unconditional promises to give that are not due on a current basis are measured at fair value. Management has elected to measure fair value using the present value valuation technique and has assumed a discount rate of 2.16% in 2018-19 and 2.17% in 2017-18. See Note 7.

*Fair Value of Investments* – Investments are reported at fair value based on the priority of the inputs to the valuation technique and classified based on a three-level fair value hierarchy as discussed in Notes 4 and 9.

*Fair Value of Split-Interest Agreements* – The Trusts are reported at fair value based on the present value of the net proceeds that are expected to be available to the Foundation at their maturity dates. Management has elected to measure fair value using the present value valuation technique and has assumed a discount rate of 2.16% in 2018-19 and 2.17% in 2017-18 through the estimated maturity dates. See Note 6.

*Functional Expenses* - Management's estimate of the functional allocation of expenses shared between programs, management and general, and fundraising is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses.

*Donated Services, Facilities and In-Kind Donations* – The Foundation records the value of donated services and facilities, and donated items as in-kind donations on the statement of activities and statement of functional expense when there is an objective basis available to measure their value. See Notes 2 and 13.

*Unrelated Business Income Tax (UBIT)* – The Foundation has considered the Financial Accounting Standards Board's (FASB) statement related to uncertainty in income taxes. This guidance requires organizations to evaluate tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities. The primary tax positions evaluated relate to the Foundation's tax exempt status and the potential for 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 income tax contingencies are required. See Note 2.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear. The most sensitive disclosures affecting the financial statements were:

*Investments* - The disclosure of investments described in Note 5 to the financial statements summarizes the cost and fair value information for the investments held by the Foundation as of

June 30, 2019 and 2018. Fair value measurements of the investments are assigned a category based on the source of valuation for the indicated investments (measured using significant unobservable inputs).

*Uniform Prudent Management of Institutional Funds Act* (UPMIFA) – UPMIFA is the disclosure pertaining to endowments and interpretation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) described in Note 10 to the financial statements. This disclosure summarizes the Board's interpretation of UPMIFA and the criteria used to determine the value of net assets held in perpetuity with donor restrictions as of June 30, 2019, with comparative information as of June 30, 2018.

*Difficulties Encountered in Performing the Audit*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 5, 2019.

*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 auditor's report. We are pleased to report that no such disagreements arose during the course of 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. 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. Exhibit A summarizes uncorrected misstatements of the financial statements.

In addition, a reconciliation between the internal financial statements ending net assets and the audited ending net assets has been provided for management's use in Exhibit B.

*Significant Issues Discussed with Management*

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 engagement.

*Items to be Considered in the Future Audits*

The Financial Accounting Standards Board (FASB) has released new Accounting Standards Update (ASU) pertaining to the not-for-profit entities that will have significant implications to the Foundation's financial statements.

ASU No. 2014-09 Not-for-Profit Entities (Topic 606): *Revenue from Contracts with Customers*

This standard provides a robust framework for addressing revenue recognition issues and almost all existing revenue recognition guidance, including industry-specific guidance in U.S. GAAP. The standard requires entities to apply a five step model to identify the performance obligations within the customer contract and to allocate the transaction price to those performance obligations using their standalone selling prices. The Foundation must assess (either internally or engage a third party) the impact this standard will have on their various revenue streams prior to implementation of the standard. For the Foundation, this standard is effective for the fiscal year June 30, 2020.

ASU No. 2016-01 Not-for-Profit Entities (Topic 825): *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities*

The standard provides guidance on the topic of financial instruments, such as, accounting for different financial instruments, including financial assets, financial liabilities, and equities. The standard also provides guidance on applicable occurrence dates on which the fair value option election can take place. The standard applies to not-for-profit entities, employee benefit plans, split interest agreements and permanent endowment funds. This amendment is effective for the Foundation's June 30, 2020 financial statements.

ASU No. 2016-02 Not-for-Profit Entities (Topic 842): *Leases*

This standard changes the accounting requirements so that lessees are required to recognize the rights and obligations resulting from leases as assets and liabilities for leases classified as operating leases. The core principle in the standard is that all leases create an asset and a liability. Although, there continues to be a differentiation between finance leases and operating leases, both will be recognized on the statement of financial position. This amendment is effective for the Foundation's June 30, 2021 financial statements.

ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

This standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For the Foundation, this standard is effective for the fiscal year June 30, 2021.

*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 auditor's 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 Information in Documents Containing Audited Financial Statements*

We are aware that the District issues other documents that contain the audited basic financial statements of the Foundation. When such documents are to be published, such as the Foundation's Annual Report, we have a responsibility to determine that such financial information is materially consistent with the audited statements of the Foundation.

**Closing**

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

Very truly yours,

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
Exhibits:

A. Schedule of Uncorrected Misstatements
B. Reconciliation between Internal and External Financial Statements

## EXHIBIT A
## Schedule of Uncorrected Misstatements

| Account | Description | Debit | Credit | Net Effect on Ending Net Assets |
|---|---|---|---|---|
| **Journal Entry # 1** | | | | |
| To record change in value of Osher for fiscal year 2018-19. | | | | |
| 97.0-00-9150O | CCC-OSHER CHALLENGE: INVESTMENTS | $ 2,957 | | $ |
| 99.0-00-8814 | CHANGE IN NET ASSETS, CY, FCCC | | 2,957 | |
| **Total** | | **2,957** | **2,957** | 2,957 |
| **Journal Entry # 2** | | | | |
| To recognize change in value for split interest agreements for fiscal year 2018-19. | | | | |
| 98.0-00-8815 | REMAINDER TRUST CONTRIBUTIONS | 2,583 | | |
| 99.0-00-9164 | BENEFICL INT, REMAINDER TRUST | 43,172 | | |
| 98.0-00-9164 | BENEFICL INT, REMAINDER TRUST | | 2,583 | |
| 99.0-00-8815 | REMAINDER TRUST CONTRIBUTIONS | | 43,172 | |
| **Total** | | **45,755** | **45,755** | 40,589 |
| **Journal Entry # 3** | | | | |
| To write off pledges receivable deemed uncollectable. | | | | |
| 98.0-00-8820 | CONTRIBUTIONS, GIFTS, GRANTS | 20,000 | | |
| 98.5-00-8820 | CONTRIBUTIONS, GIFTS, GRANTS | 15,000 | | |
| 97.0-00-9165 | PLEDGES RECEIVABLE | | 35,000 | |
| **Total** | | **35,000** | **35,000** | (35,000) |
| | | | | **$ 8,546** |

## EXHIBIT B
## Reconciliation between Internal and External Financial Statements

| | Without Donor Restrictions | With Donor Restriction: Spendable | With Donor Restriction: Amounts Held in Perpetuity | Total |
|---|---|---|---|---|
| Unrestricted (97000) | $ 546,748 | $ | $ | $ 546,748 |
| Restricted Programs (98000-98499) | | 2,553,139 | | 2,553,139 |
| Scholarships (98500-98999) | | 534,797 | | 534,797 |
| Spendable PR (99000) | | 3,043,355 | | 3,043,355 |
| Perm Rest (88000) | | | 7,014,958 | 7,014,958 |
| Ending net assets - per financial highlights | 546,748 | 6,131,291 | 7,014,958 | 13,692,997 |
| Reclassifications: | | | | |
| Board designated endowments | 84,493 | (18,493) | (66,000) | - |
| Ending net assets - per audited financial statements | $ 631,241 | $ 6,112,798 | $ 6,948,958 | $ 13,692,997 |