Agenda Item (VIII-D-2)

Meeting	12/12/2017 - Regular
Agenda Item	Committee - Resources (VIII-D-2)
Subject	2016-2017 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, 2017 for the permanent file of the District.

Background Narrative:

An independent audit of the Foundation's 2016-2017 financial statements was performed by CliftonLarsenAllen, LLP Certified Public Accountants (CLA). 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, 2017, which is also known as a "clean" opinion. Unmodified is the highest level of assurance the auditors can provide of the four available opinions and indicates the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

• 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 CLA 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 14, 2017.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services
Launa K. Wilson, District Foundation Executive Director
Melissa Elwood, Controller

Attachments:

12122017_Foundation Audit Report FY2016-17
12122017_CLA SAS 114 Letter

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Non Profit Corporation)

AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)

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June 30, 2017

CliftonLarsonAllen

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INDEPENDENT AUDITOR'S 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, 2017, 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, 2017, 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.

Emphasis of Matter

Correction of Error

As described in Note 13, the Foundation restated their beginning net asset to record funds held with FCCC, a Split-interest agreement and to reclassify net assets. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
November 7, 2017

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FINANCIAL POSITION
June 30, 2017

Assets	
Current Assets:	
Cash and cash equivalent	$ 472,210
Accounts receivable	27,625
Pledge receivable - current portion	39,532
Total Current Assets	$ 539,367
Non-Current Assets:	
Investments	8,669,696
Funds held with FCCC	446,836
Pledges receivable, net	773,314
Split interest agreements receivable	2,035,849
Total Non-Current Assets	11,925,695
Total Assets	$ 12,465,062
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	$ 65,351
Refundable advances	229,448
Total Current Liabilities	294,799
Net Assets:	
Unrestricted	833,591
Temporarily restricted	4,915,781
Permanently restricted	6,420,891
Total Net Assets	12,170,263
Total Liabilities and Net Assets	$ 12,465,062

See accompanying notes to the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Support and revenue				
Contributions	$ 145,947	$ 547,336	$ 351,216	$ 1,044,499
Special events		134,652		134,652
Donated salaries and benefits	425,905			425,905
Donated facilities	11,040			11,040
In-kind donations	155,490			155,490
Total Support	738,382	681,988	351,216	1,771,586
Other income				
Investment income	193,184	656,330		849,514
Change in value - split interest agreements		18,890		18,890
Change in value - funds held by FCCC		29,658		29,658
Total Other Income	193,184	704,878	-	898,062
Total revenues before net assets released from restrictions	931,566	1,386,866	351,216	2,669,648
Net assets released from restrictions	1,005,623	(1,005,623)		-
Total Revenue	1,937,189	381,243	351,216	2,669,648
Operating Expenses				
Program services	1,116,761			1,116,761
Supporting services				
Management and general	283,219			283,219
Fundraising	273,151			273,151
Total Expenses	1,673,131	-	-	1,673,131
Change in net assets	264,058	381,243	351,216	996,517
Net Assets				
Beginning of year, before restatement	569,533	1,862,328	8,064,784	10,496,645
Restatements		2,672,210	(1,995,109)	677,101
Beginning of year	569,533	4,534,538	6,069,675	11,173,746
End of year	$ 833,591	$ 4,915,781	$ 6,420,891	$ 12,170,263

See accompanying notes to the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

Cash flows from operating activities	
Cash received from donations and fundraisers	$ 1,066,550
Cash paid for student scholarships and campus programs	(819,113)
Cash paid for student operating expenses and fundraising	(202,574)
Net cash provided (used) by operating activities	103,872
Cash flows from investing activities	
Reinvested interest and dividends, net of expense	130,654
Proceeds from sale of investments	184,552
Purchase of investments	(1,167,801)
Net cash provided (used) by investing activities	(852,595)
Net increase (decrease) in cash and cash equivalents	(748,723)
Cash and cash equivalents, beginning of year	1,220,933
Cash and cash equivalents, end of year	$ 472,210
Reconciliation of change in net assets to cash provided (used) by operating activities	
Change in net assets	996,517
Adjustment to reconcile change in net assets to cash provided (used) by operating activities	
Realized and unrealized gains on investments	(718,860)
Reinvested interest and dividends, net of expense	(130,654)
Change in value - split interest agreements	(18,890)
Change in value - funds held by FCCC	(29,658)
(Increase) decrease in operating assets:	
Accounts receivable	(5,909)
Pledges receivable, net	80,387
Increase (decrease) in operating liabilities:	
Accounts payable	(59,009)
Deferred revenue	(10,052)
Net cash provided (used) by operating activities	$ 103,872

See accompanying notes to the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Donated salaries and benefits	$ 175,473	$ 53,238	$ 197,194	$ 425,905
Donated facilities	4,548	1,380	5,112	11,040
In-kind donations		155,490		155,490
Scholarships and grants	520,549			520,549
Support - instructional and student programs	298,564			298,564
Printing	4,385	3,510		7,895
Office expenses		50		50
Postage, shipping and delivery		1,232		1,232
Insurance		1,597		1,597
Equipment	1,422	1		1,423
Memberships and dues		183		183
Special events			70,845	70,845
Contract services	96,098			96,098
Other expenses	15,722	66,538		82,260
	$ 1,116,761	$ 283,219	$ 273,151	$ 1,673,131

See accompanying notes to the financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 as 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 (stocks, bonds, etc.), are recorded at estimated fair value at the time of the donation.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarships, endowment grants and other programmatic support.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

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 either temporarily or permanently restricted support 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities 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 unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all checking and money market accounts with an original maturity of 90 days or less.

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, 2017. Amortization of the discount is included in contribution revenue.

Management regularly evaluates pledges receivable and the potential collectability is in place and reviewed throughout the year. An allowance for doubtful accounts has been established based on past experience.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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.

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.

In-Kind Donations

The Foundation receives non-cash donations for items auctioned during their special fundraising events. These donations have been reflected in the statement of activities as in-kind donations and as management and general expenses. The amount represents the fair value, when available, of the donated item.

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations for generally three and four years, respectively.

Subsequent Events

The Foundation has evaluated subsequent events through November 7, 2017, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2017.

NOTE 3: 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 organizations.

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-

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3: CONCENTRATION OF CREDIT RISK

dealer insolvency and not against declines in market valuation. As of June 30, 2017 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 4: INVESTMENTS

Investment return for the year ended June 30, 2017 was as follows:

Realized loss on investments, net	$ (57,503)
Unrealized gain on investments, net	776,363
Interest and dividends	180,310
Total investment income	899,170
Investment expenses	(49,656)
Total investment income, net of expenses	$ 849,514

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, 2017, are as follows:

Investments	Cost	Fair Value
Equities (Level 1)	$ 2,029,915	$ 2,470,936
Corporate bonds (Level 1)	1,031,628	1,062,118
Government bonds (Level 1)	30,941	32,389
Mutual funds (Level 2)	4,844,802	5,104,253
Total	$ 7,937,286	$ 8,669,696

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5: 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 temporarily restricted contribution revenue and as a receivable when notified of the agreement.

Contributions receivable from split-interests agreements totaled $2,035,849 at June 30, 2017. The Foundation will not receive its share of the trust assets until the last heir to the estates passes away.

See Note 13 for further discussion of the restatement related to the testamentary trust.

NOTE 6: PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2017 are as follows:

Receivable - less than one year	$ 39,532
Receivable - one to five years	843,478
Gross unconditional pledges	883,010
Less: discount	(70,164)
Net pledges receivable	$ 812,846

Pledges receivable have been discounted to present value using a discount rate of 1.96%.

NOTE 7: REFUNDABLE ADVANCES

During the year ended June 30, 2016, the Foundation was awarded and received a $250,000 grant to sustain and strengthen campus-based support and services that promote the health, wellbeing and higher education success of current and former foster youth across the District, through May 31, 2019. Of the total received, $20,552 had been incurred as general and administrative fees and thus recognized as revenue through the year ended June 30, 2017.

NOTE 8: 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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

These funds are invested in a pooled investment fund held by the FCCC (Level 2). At June 30, 2017 the fair value of these pooled investments totaled $446,836, which consisted of cash of $22,342, equity securities of $290,444, and fixed income instruments of $134,051. A net investment gain of $52,392 was recognized during year ended June 30, 2017.

FCCC Net Assets as of June 30, 2017

	Temporarily Restricted	Permanently Restricted	Total
Osher Scholarships	$ 49,746	$ 365,253	$ 414,999
Sempra Energy Scholarships	5,169	26,668	31,837
	$ 54,915	$ 391,921	$ 446,836

Changes in FCCC Net Assets for the Year Ended June 30, 2017

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 25,257	$ 391,921	$ 417,178
Contributions			-
Investment return:			
Investment income, net of expenses	7,957		7,957
Net depreciation (realized and unrealized)	44,435		44,435
Total investment return	52,392	-	52,392
Other changes:			
Fund distributions	(22,734)		(22,734)
Total other changes	(22,734)	-	(22,734)
Endowment net assets, end of year	$ 54,915	$ 391,921	$ 446,836
Osher Scholarships	$ 49,746	$ 365,253	$ 414,999
Sempra Energy Scholarships	5,169	26,668	31,837
	$ 54,915	$ 391,921	$ 446,836

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,

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

2017, the Foundation received $68,390 including $22,734 in fund distributions from investment returns from the Osher Scholarship Fund.

See Note 14 for further discussion of the restatement related to the Sempra Energy funds and change in value for funds held with FCCC.

NOTE 9: 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 Directors of the Foundation 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9: ENDOWMENT

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted		$ 2,486,529	$ 5,784,462	$ 8,270,991
Board-designated	72,898			72,898
	$ 72,898	$ 2,486,529	$ 5,784,462	$ 8,343,889

Changes in Endowment Net Assets for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 66,665	$ 2,032,184	$ 5,677,754	$ 7,776,603
Contributions			106,708	106,708
Investment return:				
Investment income, net of expenses	1,514	97,887		99,401
Net depreciation (realized and unrealized)	8,319	537,410		545,729
Total investment return	9,833	635,297	-	645,130
Other changes:				
Change in designation				-
Distributions	(3,600)	(180,952)		(184,552)
Total other changes	(3,600)	(180,952)	-	(184,552)
Endowment net assets, end of year	$ 72,898	$ 2,486,529	$ 5,784,462	$ 8,343,889

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9: ENDOWMENT

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 10: NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of $1,005,623 were released from temporary donor restrictions during the fiscal year 2016-17. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 11: RESTRICTED NET ASSETS

The Foundation has temporarily restricted and permanently restricted endowed scholarships or programs as of June 30, 2017 and is represented as follows:

Temporarily restricted	
Scholarships	$ 2,696,518
Other restricted programs	2,219,263
Total temporarily restricted	$ 4,915,781
Permanently restricted	
Endowed scholarships	$ 6,420,891
Total permanently restricted	$ 6,420,891

NOTE 12: RELATED PARTIES

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

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. The donated services and facilities for the fiscal year ended June 30, 2017 were valued at $425,905 and $11,040 and were reflected in the financial statements as donated services and facilities. In addition, certain expenses for

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 12: RELATED PARTIES

professional services, supplies and equipment for the Foundation were paid for by the District. These expenses totals $155,490 and are recognized as in-kind donations and operating expenses.

NOTE 13: RESTATEMENTS

Restatements applied to the beginning temporarily and permanently restricted net assets at July 1, 2016 comprise of four amounts. A summary and description of these restatements are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Change in designation	$ 2,021,862	$ (2,021,862)	$ -
Funds held with FCCC - Osher			
Donation		85	85
Cumulative change in value	22,349		22,349
Funds held with FCCC - Sempra Energy			
Donation		26,668	26,668
Cumulative change in value	2,908		2,908
Split interest agreement - testamentary trust	625,091		625,091
Total restatements	$ 2,672,210	$ (1,995,109)	$ 677,101

Change in Designation

The corpus amounts of net assets were researched by the Foundation during the fiscal year ended June 30, 2017 to identify earnings on permanently restrictions donations which had previously been classified as permanently restricted. These amounts has been transferred to temporarily restricted net assets, in the amount of $2,021,862.

Funds Held with FCCC – Osher

The Foundation had not previously recognized the additional funds sent by a donor to FCCC on the Foundations behalf as funds held with FCCC or the change in value of Osher as management's interpretation was to not recognize the change in value since management did not manage or maintain control of the investment. Additional research determined that the change in value be reflected in the statement of activities and changes in net assets. A restatement of $22,349 was applied to increase temporarily restricted net assets and $85 to increase permanently restricted net assets was applied. These amounts represents the additional fair value of funds held with FCCC at June 30, 2016 and the additional donation.

Funds Held with FCCC – Sempra Energy

The Foundation had not previously recognized the additional funds sent by Sempra Energy to FCCC on the Foundations behalf as funds held with FCCC. Management's interpretation was to not recognize the donation and change in value since management did not manage or maintain

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 13: RESTATEMENTS

control of the investment. Additional research determined that the additional funds sent to FCCC on the Foundations behalf be recognized as funds held with FCCC and change in value be reflected in the statement of activities and changes in net assets. A restatement of $2,908 to increase temporarily restricted net assets and $26,668 to increase permanently restricted net assets was applied. These amounts represent the fair value of funds held with FCCC at June 30, 2016 and the donation.

Split Interest Agreement – Testamentary Trust

As discussed in Note 13, the Foundation had researched and reviewed donor files to verify corpus amounts. During this process, the Foundation identified a testamentary trust that had not previously recognized the as a receivable from the split-interest agreement. A restatement of $625,091 was applied to increase temporarily restricted net assets. This amount represents the fair value of the split interest agreement receivable at June 30, 2016.

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

November 7, 2017

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, 2017, and have issued our report thereon dated November 7, 2017. 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 May 30, 2017. 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 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016-17. 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 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 1.96%. See Notes 2 and 6.

The Board of Directors
Riverside Community College District Foundation
Page 2

Qualitative Aspects of Accounting Practices (continued)

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 1.96% through the estimated maturity dates. See Note 5.

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 12.

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 4 to the financial statements summarizes the cost and fair value information for the investments held by the Foundation as of June 30, 2017. 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).

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 7, 2017.

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 known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. A schedule of adjusting journal entries is provided as Exhibit A. The financial statements reflect these adjustments. Post-closing entries were applied to the financial statements; however, these adjustments are not included in Exhibit A as they are adjustments identified by management.

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 C.

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.

Items to be Considered in the Future Audits

The Financial Accounting Standards Board (FASB) released a new standard pertaining to the presentation of financial statements for not for-profit entities that will have significant implications to the Riverside Community College District Foundation's financial statements. This standard is effective for fiscal years beginning after December 15, 2017. For the Riverside Community College District Foundation, this standard is effective for the fiscal year June 30, 2019 and early implementation is allowed.

The proposed standard contains a number of changes to the current Not-for-Profit financial statement model. Some of the more significant changes include a shift in the presentation of net assets on the statement of financial position and the statement of activities from the current three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with and net assets without donor restrictions). This change attempts to highlight the specific nature of each net asset restriction rather than on whether there are temporary or permanent restrictions.

In addition to the changes to the basic financial statements, certain disclosures will also be enhanced to provide additional information. Disclosures impacted by the new requirements include, but are not limited to, the availability of resources to meet cash needs for general expenditures within the next year, resources restricted by governing board actions, the composition of net assets subject to donor restrictions and how the restrictions affect the use of resources, and the nature and function of operating expenses.

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 Adjusting Journal Entries
B. Reconciliation between Internal and External Financial Statements

EXHIBIT A
Schedule of Adjusting Journal Entries

Riverside Community College District Foundation
For fiscal year ended June 30, 2017
Adjusting Journal Entries Report

Account	Description	Debit	Credit
Adjusting Journal Entries Journal Entry # 1			
To restate beginning net assets at June 30, 2016 for funds held by FCCC and to recognize the change in value on the funds held with FCCC as of June 30, 2017.			
97.0-9150	Funds Held by FCCC: Osher	$ 81,668	$
88.0-9710	Unappropriated fund balance		85
88.0-9710	Unappropriated fund balance		26,668
99.0-8814	Change in Value - Funds Held with FCCC		2,261
99.0-8814	Change in Value - Funds Held with FCCC		27,397
99.0-9710	Unappropriated fund balance		2,908
99.0-9710	Unappropriated fund balance		22,349
Total		**$ 81,668**	**$ 81,668**

EXHIBIT B
Reconciliation between Internal and External Financial Statements

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unrestricted	$ 760,694	$	$	$ 760,694
Temporarily Restricted - Programs		1,491,503		1,491,503
Temporarily Restricted - Scholarship		447,270		447,270
Temporarily Restricted - Spendable Endowment		2,249,248		2,249,248
Permanently Restricted - Endowed Scholarship			6,460,138	6,460,138
Ending net assets - internal financials	760,694	4,188,021	6,460,138	11,408,853
Reclassifications:				
Reclassification of Board designated	72,897	(6,897)	(66,000)	-
Post Closing Entries:				
Restatement for split interest agreement		625,091	-	625,091
Recognizing change in value for split interest agreements - unitrust		18,890		18,890
Recognizing change in value for split interest agreements - testamentary trust		35,761		- 35,761
Audit Adjustments:				
Restatement for funds held with FCCC - Osher		22,349	85	22,434
Restatement for funds held with FCCC - Sempra		2,908	26,668	29,576
Recognizing change in value for funds held with FCCC		29,658		29,658
Ending net assets - external financials	$ 833,591	$ 4,915,781	$ 6,420,891	$ 12,170,263