

Report of Independent Auditors
and Financial Statements for

Palo Verde College Foundation

June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Palo Verde College Foundation
Blythe, California

We have audited the accompanying financial statements of Palo Verde College Foundation (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Board of Trustees
Palo Verde College Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palo Verde College Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Messner & Hadley, LLP.

Messner & Hadley, LLP
Certified Public Accountants

Victorville, California
December 15, 2019

PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	97,678	77,134
Investments	<u>1,529,662</u>	<u>1,479,111</u>
Total assets	<u>\$ 1,627,340</u>	<u>\$ 1,556,245</u>
NET ASSETS		
Without donor restrictions	313,504	287,247
With donor restrictions	<u>1,313,836</u>	<u>1,268,998</u>
Total net assets	<u>1,627,340</u>	<u>1,556,245</u>
Total liabilities and net assets	<u>\$ 1,627,340</u>	<u>\$ 1,556,245</u>

PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities			
REVENUES AND OTHER SUPPORT			
Contributions	72,361	11,580	\$ 83,941
Other revenue	3,120	-	3,120
Fundraising	13,179	-	13,179
Investment income	(32,843)	106,163	73,320
Net assets released from restrictions	<u>72,905</u>	<u>(72,905)</u>	<u>-</u>
Total revenues and other support	<u>128,722</u>	<u>44,838</u>	<u>173,560</u>
EXPENSES			
Educational support	<u>83,680</u>	<u>-</u>	<u>83,680</u>
Supporting services:			
Management and general	12,812	-	12,812
Fundraising	<u>5,973</u>	<u>-</u>	<u>5,973</u>
Total support services	<u>18,785</u>	<u>-</u>	<u>18,785</u>
Total expenses	<u>102,465</u>	<u>-</u>	<u>102,465</u>
Change in net assets	26,257	44,838	71,095
Net assets, beginning of year	<u>287,247</u>	<u>1,268,998</u>	<u>1,556,245</u>
Net assets, end of year	<u>\$ 313,504</u>	<u>\$ 1,313,836</u>	<u>\$ 1,627,340</u>

PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities			
REVENUES AND OTHER SUPPORT			
Contributions	38,222	\$ 10,000	\$ 48,222
Special events and other revenue	74	-	74
Fundraising	11,185	-	11,185
Investment income	19,525	60,786	80,311
Net assets released from restrictions	<u>(42,061)</u>	<u>42,061</u>	<u>-</u>
	-		
Total revenues and other support	<u>26,945</u>	<u>112,847</u>	<u>139,792</u>
EXPENSES			
Educational support	<u>50,160</u>	<u>-</u>	<u>50,160</u>
Supporting services:			
Management and general	7,768	-	7,768
Fundraising	<u>3,346</u>	<u>-</u>	<u>3,346</u>
Total support services	<u>11,114</u>	<u>-</u>	<u>11,114</u>
Total expenses	<u>61,274</u>	<u>-</u>	<u>61,274</u>
Change in net assets	(34,329)	112,847	78,518
Net assets, beginning of year	<u>321,576</u>	<u>1,156,151</u>	<u>1,477,727</u>
Net assets, end of year	<u>\$ 287,247</u>	<u>\$ 1,268,998</u>	<u>\$ 1,556,245</u>

PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			
	Educational Support	Management and General	Fundraising	Total
Grants	83,680	\$ -	\$ -	\$ 83,680
Education and awareness	-	-	5,973	5,973
Professional services	-	500	-	500
Office and administrative	-	11,221	-	11,221
Insurance	-	1,091	-	1,091
	<u>\$ 83,680</u>	<u>\$ 12,812</u>	<u>\$ 5,973</u>	<u>\$ 102,465</u>

	2018			
	Educational Support	Management and General	Fundraising	Total
Grants	50,160	\$ -	\$ -	\$ 50,160
Education and awareness	-	-	3,346	3,346
Professional services	-	(775)	-	(775)
Office and administrative	-	7,353	-	7,353
Insurance	-	1,190	-	1,190
	<u>\$ 50,160</u>	<u>\$ 7,768</u>	<u>\$ 3,346</u>	<u>\$ 61,274</u>

PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 71,095	\$ 78,518
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net depreciation (appreciation) on investments	<u>(205)</u>	<u>(20,588)</u>
Net cash provided by (used in) operating activities	<u>70,890</u>	<u>57,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments, net	<u>(50,346)</u>	<u>(77,899)</u>
Net cash used in investing activities	<u>(50,346)</u>	<u>(77,899)</u>
Net increase (decrease) in cash and cash equivalents	20,544	(19,969)
Cash and cash equivalents, beginning of year	<u>77,134</u>	<u>97,103</u>
Cash and cash equivalents, end of year	<u>\$ 97,678</u>	<u>\$ 77,134</u>

PALO VERDE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of the Organization

The Palo Verde College Foundation (the Foundation), a not-for-profit organization, was formed for the purpose of encouraging voluntary gifts, trusts, and bequests for the benefit of Palo Verde College (the College). The Foundation provides financial support for various college-related programs including department and program support, student scholarships and awards, equipment purchases and capital improvements, and faculty research and teaching activities.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation –The financial statements of Palo Verde College Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Palo Verde College Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Palo Verde College Foundation's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Palo Verde College Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Palo Verde College Foundation's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – Palo Verde College Foundation's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

PALO VERDE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Concentrations of credit risk – Financial instruments that potentially subject Palo Verde College Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. Palo Verde College Foundation maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Palo Verde College Foundation's cash and cash equivalent accounts have been placed with high credit quality financial institutions. Palo Verde College Foundation has not experienced, nor does it anticipate, any losses with respect to such accounts.

Property and equipment, net – Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. Palo Verde College Foundation's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. Palo Verde College Foundation's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Investments – Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

PALO VERDE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Palo Verde College Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.

- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

PALO VERDE COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

In-kind donations – Volunteers have made significant contributions of their time in furtherance of Palo Verde College Foundation's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Grants	Time and effort
Salaries and benefits	Time and effort
Education and awareness	Time and effort
Occupancy	Square Footage
Professional services	Full Time Equivalent
Printing	Full Time Equivalent
Information technologies	Full Time Equivalent
Travel	Time and effort
Depreciation	Square Footage
Other	Time and effort

Use of estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income taxes – Palo Verde College Foundation is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Palo Verde College Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Palo Verde College Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Palo Verde College Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Availability and Liquidity

The following represents Palo Verde College’s financial assets at June 30, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 97,678	\$ 77,134
Investments	1,529,662	1,479,111
Total financial assets	<u>1,627,340</u>	<u>1,556,245</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,313,836	1,268,998
	<u>1,313,836</u>	<u>1,268,998</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 313,504</u>	<u>\$ 287,247</u>

Note 4 – Investments

The following is a summary of investments at June 30, 2019 and 2018

	2019	2018
Cash and equivalents	\$ 12,952	\$ 11,226
Equities	863,206	691,038
Fixed income securities	515,313	640,009
Other investments	138,191	136,841
	<u>\$ 1,529,662</u>	<u>\$ 1,479,114</u>

As of June 30, 2019 and 2018, all investments except for other investments were considered level 1 investments. Other investments were considered level 2 investments.

PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 5 –Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific Purpose		
Educational services	<u>\$ 1,313,836</u>	<u>\$1,268,998</u>

Net assets without donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	<u>\$ 313,504</u>	<u>\$ 287,247</u>

Net assets released from net assets with donor restrictions are as follows for the years ended 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions		
Educational support	<u>\$ 72,905</u>	<u>\$ (42,061)</u>

Note 6 – Subsequent Events

Palo Verde College Foundation has evaluated subsequent events through December 15, 2019, which is the date the financial statements were available to be issued. Palo Verde College Foundation is not aware of any material subsequent events.