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PALO VERDE COLLEGE FOUNDATION

AUDIT REPORT

Fiscal Years Ended June 30, 2022 and 2021

PALO VERDE COLLEGE FOUNDATION
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JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Palo Verde College Foundation
Blythe, California

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Palo Verde College Foundation (the "Foundation"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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, 2022 and 2021, and the changes to its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palo Verde College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Palo Verde College Foundation taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2023, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
February 2, 2023

**PALO VERDE COLLEGE FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2022 AND JUNE 30, 2021**

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 228,308	\$ 224,965
Investments	1,662,785	1,960,042
Other assets	3,100	3,100
Total Assets	\$ 1,894,193	\$ 2,188,107
NET ASSETS		
Net assets without donor restrictions	500,510	520,605
Net assets with donor restrictions	1,393,683	1,667,502
Total Net Assets	\$ 1,894,193	\$ 2,188,107

**PALO VERDE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 19,559	\$ 27,615	\$ 47,174
Fundraising	14,529	-	14,529
Investment income	(49,247)	(171,553)	(220,800)
Other income	29,801	-	29,801
Net assets released from restriction	129,881	(129,881)	-
Total Support and Revenue	\$ 144,523	\$ (273,819)	\$ (129,296)
EXPENSES			
Educational support	\$ 129,881	\$ -	\$ 129,881
Supporting Services:			
Management and general	28,682	-	28,682
Fundraising	6,055	-	6,055
Total supporting services	34,737	-	34,737
Total Expenses	164,618	-	164,618
Change in Net Assets	(20,095)	(273,819)	(293,914)
Net Assets - Beginning of Year	520,605	1,667,502	2,188,107
Net Assets - End of Year	\$ 500,510	\$ 1,393,683	\$ 1,894,193

**PALO VERDE COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 139,134	\$ 41,806	\$ 180,940
Fundraising	11,530	-	11,530
Investment income	51,207	320,918	372,125
Other income	28,978	-	28,978
Net assets released from restriction	138,200	(138,200)	-
Total Support and Revenue	\$ 369,049	\$ 224,524	\$ 593,573
EXPENSES			
Educational support	\$ 173,917	\$ -	\$ 173,917
Supporting Services:			
Management and general	2,879	-	2,879
Fundraising	200	-	200
Total supporting services	3,079	-	3,079
Total Expenses	176,996	-	176,996
Change in Net Assets	192,053	224,524	416,577
Net Assets - Beginning of Year	328,552	1,331,639	1,660,191
Prior Period Adjustment	-	111,339	111,339
Net Assets - End of Year	\$ 520,605	\$ 1,667,502	\$ 2,188,107

PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			
	Educational Support	Management and General	Fundraising	Total
Grants	\$ 129,881	\$ -	\$ -	\$ 129,881
Education and awareness	-	-	6,055	6,055
Office and administrative	-	26,769	-	26,769
Insurance	-	1,913	-	1,913
Total	<u>\$ 129,881</u>	<u>\$ 28,682</u>	<u>\$ 6,055</u>	<u>\$ 164,618</u>

	2021			
	Educational Support	Management and General	Fundraising	Total
Grants	\$ 173,917	\$ -	\$ -	\$ 173,917
Education and awareness	-	-	200	200
Office and administrative	-	1,349	-	1,349
Insurance	-	1,530	-	1,530
Total	<u>\$ 173,917</u>	<u>\$ 2,879</u>	<u>\$ 200</u>	<u>\$ 176,996</u>

**PALO VERDE COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

Year Ended June 30,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (293,914)	\$ 416,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from contribution restricted for investment in endowment	26,260	(156,593)
Net Cash Provided (Used) by Operating Activities	<u>(267,654)</u>	<u>259,984</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contribution restricted for investment in endowment	270,997	(141,534)
Net Increase in Cash	<u>3,343</u>	<u>118,450</u>
Cash and Cash Equivalents - Beginning of Year	224,965	106,515
Cash and Cash Equivalents - End of Year	<u>\$ 228,308</u>	<u>\$ 224,965</u>

**PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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 Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

All donor-restricted contributions are recorded as increases in net assets with donor restrictions. When a restriction expires, either by the passage of time or the purpose is satisfied, the net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Possible expirations of net assets with donor restriction are (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

Net Assets - The financial statements report amounts separately by class of net assets as follows:

- Net assets without donor restrictions are those resources that are currently available for operations.
- Net assets with donor restrictions are those resources which are stipulated by donors for various scholarships or other programmatic use.

**PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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
JUNE 30, 2022 AND 2021**

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.

Valuations within the hierarchy levels are based upon the following:

Level 1: Quoted market prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management's judgment and estimation which may be significant.

Underwater Endowment Funds - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Directors. The Foundation considers its endowments to be underwater if their fair value is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor direction. The Foundation had no underwater endowment fund at June 30, 2022.

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
JUNE 30, 2022 AND 2021**

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:

Expense	Method of Allocation
Grants	Time and effort
Salaries and benefits	Time and effort
Educational 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.

PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation has not entered into any activities that would jeopardize its tax-exempt status. Accordingly, no provision for income taxes is required.

The Foundation files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2016 and beyond, and the California returns for tax years 2015 and beyond, remain subject to examination by the taxing authorities.

The Foundation accounts for income taxes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes and how an uncertain tax position is recognized in financial statements. The Foundation analyzes tax positions taken in previously filed returns and tax positions expected to be taken in future returns. Based on this analysis, a liability is recorded if uncertain tax benefits have been received. The Foundation's practice is to recognize interest and penalties, if any, related to uncertain tax positions in the tax expense. There were no uncertain tax positions identified or related interest and penalties recorded as of June 30, 2022, and the Foundation does not expect this to change significantly over the next 12 months.

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

Change in Accounting Principle - ASU 2020-07 Presentation and Discussion by Not-for-Profit Entities for Contributed Nonfinancial Assets improves generally accepted accounting principles (GAAP) by increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in the update address public concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFP's as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

New Accounting Pronouncements - In November, FASB issued ASU 2021-09, Leases (ASU 2021-09). ASU 2021- 09 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2021-09 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Although the full impact of ASU 2021-09 on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

**PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 3 – Availability and Liquidity

The following represents Palo Verde College Foundation’s financial assets at June 30, 2022 and 2021:

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 228,308	\$ 224,965
Investments	1,662,785	1,960,042
Total Financial assets, at year-end	1,891,093	2,185,007
Donor restrictions for specific purposes	(1,393,683)	(1,667,502)
Total contractual or donor-imposed restrictions	(1,393,683)	(1,667,502)
Financial assets available to meet cash needs for general expenditure within one year	\$ 497,410	\$ 517,505

Note 4 – Investments

The following is a summary of investments at June 30, 2022 and 2021

	2022	2021
Cash and cash equivalents	\$ -	\$ 27,548
Equities	1,503,600	1,340,311
Fixed income securities	159,185	592,183
Total investments	\$ 1,662,785	\$ 1,960,042

As of June 30, 2022 and 2021, all investments were considered level 1 investments.

Note 5 - CONTRIBUTED NONFINANCIAL ASSETS

During the fiscal years ended June 30, 2022 and 2021, the Foundation did not receive any nonfinancial asset contributions.

**PALO VERDE COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

Note 6 –Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific purpose		
Education services	\$ 1,393,683	\$ 1,667,502

Net assets without donor restrictions for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 500,510	\$ 520,605

Net assets released from net assets with donor restrictions are as follows for the years ended 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Education support	\$ 129,881	\$ 138,200

Note 7 – Subsequent Events

Palo Verde College Foundation has evaluated subsequent events through February 2, 2023 which is the date the financial statements were available to be issued. Palo Verde College Foundation is not aware of any material subsequent events.