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# PALO VERDE COLLEGE FOUNDATION

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## **AUDIT REPORT**

Fiscal Years Ended June 30, 2021 and 2020

**PALO VERDE COLLEGE FOUNDATION**  
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**JUNE 30, 2021 AND 2020**

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The Board of Directors  
Palo Verde College Foundation  
Blythe, California

## **INDEPENDENT AUDITORS' REPORT**

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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.

## 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CWDL, Certified Public Accountants*

San Diego, California  
December 13, 2021

**PALO VERDE COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND JUNE 30, 2020**

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	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 224,965	\$ 106,515
Investments	1,960,042	1,553,676
Other assets	3,100	-
<b>Total Assets</b>	<b>\$ 2,188,107</b>	<b>\$ 1,660,191</b>
<b>NET ASSETS</b>		
Net assets without donor restrictions	520,605	328,552
Net assets with donor restrictions	1,667,502	1,331,639
<b>Total Net Assets</b>	<b>\$ 2,188,107</b>	<b>\$ 1,660,191</b>

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

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	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
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)	-
<b>Total Support and Revenue</b>	<b>\$ 369,049</b>	<b>\$ 224,524</b>	<b>\$ 593,573</b>
<b>EXPENSES</b>			
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
<b>Total Expenses</b>	<b>176,996</b>	<b>-</b>	<b>176,996</b>
<b>Change in Net Assets</b>	<b>192,053</b>	<b>224,524</b>	<b>416,577</b>
<b>Net Assets - Beginning of Year</b>	<b>328,552</b>	<b>1,331,639</b>	<b>1,660,191</b>
<b>Prior Period Adjustment (note 6)</b>	<b>-</b>	<b>111,339</b>	<b>111,339</b>
<b>Net Assets - End of Year</b>	<b>\$ 520,605</b>	<b>\$ 1,667,502</b>	<b>\$ 2,188,107</b>

**PALO VERDE COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020**

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	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 79,121	\$ 7,800	\$ 86,921
Fundraising	13,517	-	13,517
Investment income	(29,774)	98,485	68,711
Net assets released from restriction	88,482	(88,482)	-
<b>Total Support and Revenue</b>	<b>\$ 151,346</b>	<b>\$ 17,803</b>	<b>\$ 169,149</b>
<b>EXPENSES</b>			
Educational support	\$ 115,069	\$ -	\$ 115,069
Supporting Services:			
Management and general	4,104	-	4,104
Fundraising	17,125	-	17,125
Total supporting services	21,229	-	21,229
<b>Total Expenses</b>	<b>136,298</b>	<b>-</b>	<b>136,298</b>
<b>Change in Net Assets</b>	<b>15,048</b>	<b>17,803</b>	<b>32,851</b>
<b>Net Assets - Beginning of Year</b>	<b>313,504</b>	<b>1,313,836</b>	<b>1,627,340</b>
<b>Net Assets - End of Year</b>	<b>\$ 328,552</b>	<b>\$ 1,331,639</b>	<b>\$ 1,660,191</b>

**PALO VERDE COLLEGE FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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	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	\$ 173,917	\$ 2,879	\$ 200	\$ 176,996

	2020			
	Educational Support	Management and General	Fundraising	Total
Grants	\$ 115,069	\$ -	\$ -	\$ 115,069
Education and awareness	-	-	17,125	17,125
Office and administrative	-	3,013	-	3,013
Insurance	-	1,091	-	1,091
Total	\$ 115,069	\$ 4,104	\$ 17,125	\$ 136,298

**PALO VERDE COLLEGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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Year Ended June 30,	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 416,577	\$ 32,851
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from contribution restricted for investment in endowment	(156,593)	-
Change in:		
Net depreciation (appreciation) on investments	-	(26,534)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>259,984</u>	<u>6,317</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contribution restricted for investment in endowment	<u>(141,534)</u>	<u>2,520</u>
<b>Net Increase in Cash</b>	<u>118,450</u>	<u>8,837</u>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>106,515</u>	<u>97,678</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 224,965</u>	<u>\$ 106,515</u>

**PALO VERDE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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**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, 2021 AND 2020**

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**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, 2021 AND 2020**

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**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, 2021.

**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, 2021 AND 2020**

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**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, 2021 AND 2020**

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**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, 2021, 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.

**PALO VERDE COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Change in Accounting Principle** - In May 2014, The FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer or promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In May 2020, the FASB voted to defer the effective date of ASU 2014-09, making it effective for annual reporting periods beginning after December 15, 2019. The Foundation adopted ASU 2014-09 during the year ended June 30, 2021. The adoption of ASU 2014-09 did not have a material impact to the Foundation's financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the ASU 2018-08 apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

The Foundation has implemented the provisions of this ASU as of June 30, 2021, because management believes it improves the Foundation's financial reporting.

**New Accounting Pronouncements** -In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 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 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Although the full impact of ASU 2016-02 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, 2021 AND 2020**

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**Note 3 – Availability and Liquidity**

The following represents Palo Verde College Foundation’s financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 224,965	\$ 106,515
Investments	1,960,042	1,553,676
Total Financial assets, at year-end	<u>2,185,007</u>	<u>1,660,191</u>
Donor restrictions for specific purposes	<u>(1,667,502)</u>	<u>(1,331,639)</u>
Total contractual or donor-imposed restrictions	<u>(1,667,502)</u>	<u>(1,331,639)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 517,505</u>	<u>\$ 328,552</u>

**Note 4 – Investments**

The following is a summary of investments at June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 27,548	\$ 31,298
Equities	1,340,311	963,448
Fixed income securities	592,183	558,930
Total investments	<u>\$ 1,960,042</u>	<u>\$ 1,553,676</u>

As of June 30, 2021 and 2020, all investments were considered level 1 investments.

**PALO VERDE COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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**Note 5 –Net Assets**

Net assets with donor restrictions were as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Specific purpose		
Education services	<u>\$ 1,667,502</u>	<u>\$ 1,331,639</u>

Net assets without donor restrictions for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Undesignated	<u>\$ 520,605</u>	<u>\$ 328,552</u>

Net assets released from net assets with donor restrictions are as follows for the years ended 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions		
Education support	<u>\$ 138,200</u>	<u>\$ 88,482</u>

**Note 6 – Prior Period Adjustment**

The beginning net position increased by \$111,339. This was primarily due to revenue and expenses being booked against the net assets accounts. The auditors worked with the Foundation to adjust the journaling of the Foundation's activity.

**Note 7 – Subsequent Events**

Palo Verde College Foundation has evaluated subsequent events through December 13, 2021 which is the date the financial statements were available to be issued. Palo Verde College Foundation is not aware of any material subsequent events.