

**GAVILAN COLLEGE
EDUCATIONAL FOUNDATION**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

TABLE OF CONTENTS JUNE 30, 2017

	<u>PAGE</u>
ORGANIZATION	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

ORGANIZATION JUNE 30, 2017

The Gavilan College Educational Foundation (the Foundation) is governed by a Board of Directors and is a legal entity separate from the Gavilan Joint Community College District (the District). The Foundation was formed in the early 1990's and became incorporated on May 24, 1994.

The Foundation makes gifts, loans, grants and scholarships in order to promote, foster and implement the programs and activities of the District.

The Board of Directors and District Administration for the fiscal year ended June 30, 2017 were composed of the following members:

BOARD OF DIRECTORS

<u>Members</u>	<u>Office</u>	<u>Term</u>
Douglas Marshall	President	June 2018
Tony Marandos	Treasurer	June 2018
Dr. Kathleen A. Rose	Director, Ex Officio	
Diane Stone	Director	June 2018
Jeff Orth	Director	June 2018
Suzanne Bullé	Director	June 2018
Sabrina Lawrence	Director	June 2020
Mark Roberts	Director	June 2020
Amy Garber	Director	June 2020
Tom Breen	Director	June 2020

ADMINISTRATION

Frederick E. Harris
Vice President, Administrative Services

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Gavilan College Educational Foundation
Gilroy, California**

Report on Financial Statements

We have audited the accompanying financial statements of Gavilan College Educational Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities and of 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.

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 of 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.

Board of Directors
Gavilan College Educational Foundation
Page two

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

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

December 5, 2017

FINANCIAL STATEMENTS

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION JUNE 30, 2017

ASSETS:

Cash and cash equivalents	\$ 414,513
Cash held by fiscal agent	<u>11,134</u>
Total assets	<u>\$ 425,647</u>

NET ASSETS:

Unrestricted	\$ 6,536
Temporarily restricted	<u>419,111</u>
Total net assets	<u>\$ 425,647</u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions for scholarships		\$ 122,163	\$ 122,163
Other contributions	\$ 12,514	15,443	27,957
Event income		17,340	17,340
Net assets released from restrictions	152,862	(152,862)	
Total revenues	165,376	2,084	167,460
EXPENSES:			
Program expenses:			
Scholarships	136,983		136,983
Athletics	1,549		1,549
Other programs	5,458		5,458
Total program expenses	143,990		143,990
Supporting services:			
Fundraising	18,622		18,622
General and administrative	1,723		1,723
Total supporting services	20,345		20,345
Total expenses	164,335		164,335
Increase in net assets	1,041	2,084	3,125
NET ASSETS - beginning of year	5,495	417,027	422,522
NET ASSETS - end of year	\$ 6,536	\$ 419,111	\$ 425,647

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS USED BY OPERATING ACTIVITIES:	
Increase in net assets	\$ 3,125
Reconciliation to net cash used by operating activities:	
Accounts receivable	<u>90</u>
Net increase in cash and equivalents	3,215
CASH AND CASH EQUIVALENTS - beginning of year	<u>422,432</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 425,647</u>
Cash and cash equivalents	\$ 414,513
Cash held by fiscal agent	<u>11,134</u>
Total	<u>\$ 425,647</u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017

1. ORGANIZATION AND REPORTING ENTITY

Gavilan College Educational Foundation (the Foundation) is a not-for-profit public benefit organization that provides support to various programs and functions of Gavilan Joint Community College District (the District), and provides a link between the District and the community. The District and the Foundation are considered related parties. Refer to Note 5 for transactions that occurred between the two entities during the year ended June 30, 2017.

The Foundation was organized for the purpose of providing financial assistance to students in need. The Foundation provides opportunities for members of the community to donate property and money for the express purpose, through scholarships, sponsorship, and other support, of helping deserving students receive a quality education.

In concert with the District and the community it serves, the Foundation commits itself to work toward educational excellence, and to assist in the implementation of the mission of the District to provide a supportive learning environment enriched by diversity, which promotes personal and professional success, leadership, innovation, responsibility, and a sense of community.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred in accordance with accounting principles generally accepted in the United States of America. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At June 30, 2017, the Foundation has no permanently restricted net assets.

Cash and cash equivalents have been defined as cash and highly liquid short-term investments with original maturities of 90 days or less at the date of purchase.

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

Contributions – Contributions are recognized as revenues in the period received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Functional expenses – The costs of providing the program 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 activities benefited.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017

Tax status – The Foundation is exempt from federal income and California franchise taxes under Section 501 (c)(3) of the Internal Revenue and corresponding California state codes. Accordingly, no provision for income taxes has been recorded in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Foundation applies the amended accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, the Foundation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2013.

Use of estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent events – Subsequent events have been reviewed through December 5, 2017, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017, that require recognition or disclosure in the financial statements.

3. TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of temporarily restricted net assets at June 30, 2017:

Scholarships	\$	195,836
Puente		70,983
Athletics		65,177
Bach to Blues		37,262
Music Program		12,923
Lockheed Martin Mesa Program		10,800
Gilroy Foundation – GCEF		9,107
Other		<u>17,023</u>
	\$	<u>419,111</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the purpose of the restriction or by the passage of time during the year ended June 30, 2017:

Scholarships	\$	136,983
Staff Recognition Dinner		7,822
Bach to Blues		5,058
Other		<u>2,999</u>
Total net assets released from restriction	\$	<u>152,862</u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017

4. IN-KIND DONATIONS

The Foundation periodically receives in-kind donations to be used or sold as determined by the Board. The Board's policy is to hold the tangible items until such time when they can be sold and the money placed in the appropriate fund. The Foundation also receives in-kind donations of support from the District, as described in Note 5. In-kind donations received during the year ended June 30, 2017 were \$9,750.

5. RELATED PARTIES

As described in Note 1, the Foundation's purpose is to support the District's students and programs. Therefore, transactions between the Foundation and the District are to be expected. In accordance with the Foundation's Bylaws, certain District personnel serve as ex-officio members of the Foundation's Board of Directors by virtue of their position at the District.

In exchange for support that the Foundation provides to the campus programs, the District contributed to the Foundation the full cost of the salary of the Foundation Coordinator, incurred and paid by the District on behalf of the Foundation. For the year ended June 30, 2017, the District contributed \$9,750, which was recognized as an in-kind donation.