



Financial Statements
June 30, 2023

Gavilan College Educational Foundation

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Independent Auditor's Report

The Board of Directors
Gavilan College Educational Foundation
Gilroy, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Gavilan College Educational Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the 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 these 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 after the date that the financial statements are available to be issued.

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 opinion. 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 GAAS 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 GAAS, we:

- 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 of time.

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.



Rancho Cucamonga, California
March 10, 2025

Gavilan College Educational Foundation
Statement of Financial Position
June 30, 2023

Assets

Current assets

Cash and cash equivalents	\$ 754,772
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Noncurrent assets

Beneficial interest in assets held by the Gilroy Foundation	<u>52,962</u>
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Total assets	<u><u>\$ 807,734</u></u>
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Liabilities and Net Assets

Current liabilities

Accounts payable	<u>\$ 1,672</u>
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Net assets

Without donor restrictions	5,353
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With donor restrictions	<u>800,709</u>
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Total net assets	<u>806,062</u>
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Total liabilities and net assets	<u><u>\$ 807,734</u></u>
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Gavilan College Educational Foundation

Statement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 200	\$ 570,430	\$ 570,630
Contributed services	47,820	-	47,820
Assets released from restrictions	<u>340,202</u>	<u>(340,202)</u>	<u>-</u>
Total revenues and support	<u>388,222</u>	<u>230,228</u>	<u>618,450</u>
Expenses			
Program	339,660	-	339,660
Management and general	<u>60,511</u>	<u>-</u>	<u>60,511</u>
Total expenses	<u>400,171</u>	<u>-</u>	<u>400,171</u>
Other Income			
Change in value of beneficial interest in assets held by the Gilroy Foundation	<u>-</u>	<u>(76)</u>	<u>(76)</u>
Change in Net Assets	(11,949)	230,152	218,203
Net Assets, Beginning of Year	<u>17,302</u>	<u>570,557</u>	<u>587,859</u>
Net Assets, End of Year	<u><u>\$ 5,353</u></u>	<u><u>\$ 800,709</u></u>	<u><u>\$ 806,062</u></u>

Gavilan College Educational Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Scholarships	\$ 154,261	\$ -	\$ 154,261
Distributions to District programs	185,399	-	185,399
Fees and subscriptions	-	12,691	12,691
Contributed services	-	47,820	47,820
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 339,660</u>	<u>\$ 60,511</u>	<u>\$ 400,171</u>

Gavilan College Educational Foundation

Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ 218,203
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Distributions from beneficial interest in assets held by the Gilroy Foundation	(2,600)
Change in beneficial interest in assets held by the Gilroy Foundation	2,676
Changes in assets and liabilities	
Accounts receivable	5,221
Accounts payable	(1,451)
	<hr/>
Net cash flows from operating activities	222,049
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Net change in cash and cash equivalents	222,049
Cash and cash equivalents, Beginning of Year	532,723
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Cash and cash equivalents, End of Year	<u><u>\$ 754,772</u></u>

Note 1 - Nature of Organization and Summary of Significant Accounting Policies**Organization and Nature of Activities**

The Gavilan College Educational Foundation (the Foundation) is a California nonprofit auxiliary organization of the Gavilan Joint Community College District (the District), a California public community college located in Gilroy, California. The Foundation's main purpose is to support the students and educational programs of the District. The Foundation was incorporated in the State of California in May 1994 and is a Voluntary Health and Welfare Organization.

Financial Statement Presentation

The Foundation and the District are financially interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under the campus activities program.

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 (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net Asset Accounting

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Foundation.
- Net Assets With Donor Restrictions - Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

In-kind Contributions

In-kind contributions include donated services which are recorded at the respective fair values of the services received (see Note 5). In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria prescribed by generally accepted accounting principles.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. The Foundation maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the Foundation had cash balances in financial institutions in excess of FDIC in the amount of \$521,710.

Beneficial Interest in Assets held by Gilroy Foundation

During 2015, the Foundation established a fund that is perpetual in nature (the Fund) under Gilroy Foundation's (GF) Nonprofit Investment Partner Funds program and named the Foundation as a beneficiary. Variance power was granted to GF which allows GF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of GF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by GF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Accounts Payable

Accounts payable consists of amounts due to vendors for goods and services received prior to June 30 annually.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The expenses are generally directly attributable to a functional category with no significant allocations between program and supporting services activities occurring.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided 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) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2023 through March 10, 2025, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise of the following:

Cash	<u>\$ 5,353</u>
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Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances, expenditures, and the budget.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value of the beneficial interest in assets held by the Gilroy Foundation is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2023. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023.

	<u>Level 3</u>
Assets	
Beneficial interest in assets held by the Gilroy Foundation	\$ 52,962

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs for the year ended June 30, 2023.

	Level 3
Balance at June 30, 2022	\$ 53,038
Net realized gains	2
Net unrealized gains	3,294
Investment return	473
Distributions	(2,600)
Fees	(1,245)
Balance at June 30, 2023	<u>\$ 52,962</u>

Note 4 - Restrictions on Net Assets

Donor-restricted net assets with time and/or purpose restrictions consist of the following as of June 30, 2023:

Scholarships and educational programs	<u>\$ 800,709</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Satisfaction of purpose restrictions	
Scholarships	\$ 154,261
Educational programs	<u>185,941</u>
	<u>\$ 340,202</u>

Note 5 - Related Party Transactions

Gavilan Joint Community College District

The Foundation provides various levels of monetary support and service to the District departments and programs, as well as scholarships for students. The Foundation provided \$154,261 to the District for student scholarships and \$185,400 for program support during the year ended June 30, 2023. Additionally, the District provides office space and other support to the Foundation. The District charged \$47,820 during the year ended June 30, 2023.

Note 6 - In-Kind Contributions

Donated salaries of \$13,389 consisted of one employee paid for by the District. Their time is allocated to management and general activities and is recognized at fair value based on current payroll rates and the number of hours spent working on the Foundation. Donated services of \$34,431 consisted of the temporary employment of two individuals to assist with Foundation office and general functions. The donated services are recognized at fair value using the invoiced amount paid for by the District by the vendor.



March 10, 2025

To the Board of Directors
Gavilan College Educational Foundation
Gilroy, California

We have audited the financial statements of Gavilan College Educational Foundation (the Foundation) as of and for the year ended June 30, 2023, and have issued our report thereon dated March 10, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter on February 24, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." We have identified the following as significant risks:

Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the Foundation may have the ability to override controls that the organization has implemented. Management may override the Foundation's controls in order to modify the financial records with the intent of manipulating the consolidated financial statements to overstate the Foundation's financial performance or with the intent of concealing fraudulent transactions.

Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the Foundation to overstate revenues.

Net Asset Classification – We identified the classification of net assets as a significant risk due to the risk of potential misclassification of restricted donations for purposes of benefiting the Foundation's operations.

Qualitative Aspects of the Foundation's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Foundation is included in Note 1 to the financial statements. As discussed in Note 1, the Foundation has adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. No such sensitive accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgment.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated March 10, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

This report is intended solely for the information and 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.

Eide Bailly LLP

Rancho Cucamonga, California