

**GAVILAN COLLEGE
EDUCATIONAL FOUNDATION**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

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GAVILAN COLLEGE EDUCATIONAL FOUNDATION

ORGANIZATION JUNE 30, 2016

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, 2016 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
Marty Greenwood	Director	June 2018

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, 2016, 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
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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, 2016, 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

March 6, 2017

FINANCIAL STATEMENTS

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

ASSETS:

Cash and cash equivalents	\$ 413,325
Cash held by fiscal agent	9,107
Accounts receivable	<u>90</u>
Total assets	<u>\$ 422,522</u>

NET ASSETS:

Unrestricted	\$ 5,495
Temporarily restricted	<u>417,027</u>
Total net assets	<u>\$ 422,522</u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:			
Contributions for scholarships		\$ 110,150	\$ 110,150
Other contributions	\$ 6,600	57,390	63,990
Event income		10,037	10,037
Net assets released from restrictions	<u>148,261</u>	<u>(148,261)</u>	<u> </u>
Total revenues	<u>154,861</u>	<u>29,316</u>	<u>184,177</u>
EXPENSES:			
Program expenses:			
Scholarships	126,160		126,160
Athletics	2,283		2,283
Other programs	<u>6,556</u>		<u>6,556</u>
Total program expenses	134,999		134,999
Supporting services:			
Fundraising	12,638		12,638
General and administrative	<u>3,008</u>		<u>3,008</u>
Total supporting services	<u>15,646</u>		<u>15,646</u>
Total expenses	<u>150,645</u>		<u>150,645</u>
Increase in net assets	<u>4,216</u>	<u>29,316</u>	<u>33,532</u>
NET ASSETS - beginning of year	<u>1,279</u>	<u>387,711</u>	<u>388,990</u>
NET ASSETS - end of year	<u>\$ 5,495</u>	<u>\$ 417,027</u>	<u>\$ 422,522</u>

The accompanying notes are an integral part of these financial statements.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS USED BY OPERATING ACTIVITIES:	
Increase in net assets	\$ 33,532
Reconciliation to net cash used by operating activities:	
Accounts receivable	<u>(90)</u>
Net increase in cash and equivalents	33,442
CASH AND CASH EQUIVALENTS - beginning of year	<u>388,990</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 422,432</u></u>
Cash and cash equivalents	\$ 413,325
Cash held by fiscal agent	<u>9,107</u>
Total	<u><u>\$ 422,432</u></u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016

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. During the year ended June 30, 2016, there were no transactions between the two entities.

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, 2016, 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.

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016

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.

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 2012.

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 March 6, 2017, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016, 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, 2016:

Scholarships	\$	207,656
Puente		70,983
Athletics		54,042
Bach to Blues		32,536
Music Program		11,573
Lockheed Martin Mesa Program		10,800
Gilroy Foundation - GCEF		9,107
Other		<u>20,330</u>
	\$	<u>417,027</u>

GAVILAN COLLEGE EDUCATIONAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016

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, 2016:

Scholarships	\$	126,160
Staff Recognition Dinner		7,352
Gala event		5,270
Bach to Blues		3,009
Other		<u>6,470</u>
Total net assets released from restriction	\$	<u>148,261</u>

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 items until such time when they can be sold and the money placed in the appropriate fund. There were no in-kind donations received during the year ended June 30, 2016.