

FRIENDS OF CHABOT COLLEGE

FINANCIAL STATEMENTS

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Friends of Chabot College
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Friends of Chabot College (the "Foundation") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditor's Responsibility

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Friends of Chabot College as of June 30, 2017 and 2016, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
January 8, 2018

FRIENDS OF CHABOT COLLEGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 126,427	\$ 105,581
Investments	<u>36,042</u>	<u>-</u>
Total assets	<u>\$ 162,469</u>	<u>\$ 105,581</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 1,487
NET ASSETS		
Unrestricted	7,677	16,478
Temporarily restricted	123,215	87,616
Permanently restricted	<u>31,577</u>	<u>-</u>
Total net assets	<u>162,469</u>	<u>104,094</u>
Total liabilities and net assets	<u>\$ 162,469</u>	<u>\$ 105,581</u>

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	2017			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenues, gains and other support:				
Contributions and grants	\$ 13,415	\$ 235,013	\$ 31,577	\$ 280,005
Special events and other revenues	42,527	-	-	42,527
Interest and investment income	-	4,213	-	4,213
Net assets released from restrictions	<u>203,627</u>	<u>(203,627)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>259,569</u>	<u>35,599</u>	<u>31,577</u>	<u>326,745</u>
Expenses:				
Program	205,093	-	-	205,093
Management and general	37,570	-	-	37,570
Fundraising	<u>25,707</u>	<u>-</u>	<u>-</u>	<u>25,707</u>
Total expenses	<u>268,370</u>	<u>-</u>	<u>-</u>	<u>268,370</u>
Change in net assets	<u>(8,801)</u>	<u>35,599</u>	<u>31,577</u>	<u>58,375</u>
Net assets, beginning of year	<u>16,478</u>	<u>87,616</u>	<u>-</u>	<u>104,094</u>
Net assets, end of year	<u>\$ 7,677</u>	<u>\$ 123,215</u>	<u>\$ 31,577</u>	<u>\$ 162,469</u>

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	2016			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenues, gains and other support:				
Contributions and grants	\$ 34,476	\$ 129,434	\$ -	\$ 163,910
Special events and other revenues	2,301	-	-	2,301
Net assets released from restrictions	<u>65,390</u>	<u>(65,390)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>102,167</u>	<u>64,044</u>	<u>-</u>	<u>166,211</u>
Expenses:				
Program	66,082	-	-	66,082
Management and general	24,294	-	-	24,294
Fundraising	<u>20,608</u>	<u>-</u>	<u>-</u>	<u>20,608</u>
Total expenses	<u>110,984</u>	<u>-</u>	<u>-</u>	<u>110,984</u>
Change in net assets	<u>(8,817)</u>	<u>64,044</u>	<u>-</u>	<u>55,227</u>
Net assets, beginning of year	<u>25,295</u>	<u>23,572</u>	<u>-</u>	<u>48,867</u>
Net assets, end of year	<u>\$ 16,478</u>	<u>\$ 87,616</u>	<u>\$ -</u>	<u>\$ 104,094</u>

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
 STATEMENTS OF CASH FLOWS
 For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 58,375	\$ 55,227
Unrealized gain on investments	(4,213)	
Proceeds from contribution restricted for investment in endowment	(31,577)	-
Decrease in accounts payable and accrued expenses	<u>(1,487)</u>	<u>(4,871)</u>
Net cash provided by operating activities	<u>25,311</u>	<u>50,356</u>
Cash flows used investing activities:		
Purchase of investments	<u>(31,829)</u>	<u>-</u>
Cash flows provided by financing activities:		
Proceeds from contribution restricted for investment in endowment	<u>31,577</u>	<u>-</u>
Increase in cash and cash equivalents	20,846	50,356
Cash and cash equivalents – beginning of year	<u>105,581</u>	<u>55,225</u>
Cash and cash equivalents – end of year	<u>\$ 126,427</u>	<u>\$ 105,581</u>

See accompanying notes to financial statements.

FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: Friends of Chabot College (the "Foundation") is a not-for-profit public benefit corporation organized to provide support and for the benefit of various programs and functions of Chabot College, by providing funding and services to help students achieve their educational, vocational and personal goals. Further, the Foundation provides a link between the District and the community. Chabot College is a part of the Chabot-Las Positas College District (the "District"), and provides higher education instruction in the surrounding area.

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 Foundation has adopted the provisions of Codification Topic 958-605, *Accounting for Contributions Received and Contributions Made*, and Codification Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restriction on net assets (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.

Cash Equivalents: The Foundation considers cash and cash equivalents to include cash in commercial checking accounts and demand deposits in money market funds that are used for operational purposes with original maturity dates of three month or less.

Investments: Investments held by the Foundation for California Community Colleges (FCCC) are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a trade date basis.

Restricted Net Assets: Net assets which have been restricted represent contributions whose use by the Foundation is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. At June 30, 2017 and 2016, the Foundation had \$123,215 and \$87,616, respectively, of temporarily restricted net assets, which were restricted for scholarships. For the year ended June 30, 2017 and 2016, \$203,627 and \$65,390, respectively, were released from restriction due to the satisfaction of donor restrictions. At June 30, 2017, the Foundation had \$31,577 of permanently restricted net assets. There were no permanently restricted net assets at June 30, 2016.

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FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period as the events occur.

Concentration of Credit Risk: 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.

At June 30, 2017, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$126,427 and the bank balance was \$134,338. The bank balance amount was fully insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation.

At June 30, 2016, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$105,581 and the bank balance was \$111,652. The bank balance amount was fully insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation.

Tax Status: The Foundation has been granted tax-exempt status by the Internal Revenue Service pursuant to code section 501(c)(3) and also by the California revenue and tax code section 23701e.

The Foundation has accounted for uncertainty in income taxes as required by the *Accounting for Uncertainty in Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Foundation uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes. Management does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the year ended June 30, 2017 and 2016, the Foundation did not recognize any interest or penalties. The Foundation files exempt organization returns in the U.S. federal and California jurisdictions. Tax returns remain subject to examination by the U.S. Federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Functional Allocation of Expenses: The costs of providing the various activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820). The amendments in ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This ASU was adopted by the Foundation for the year ended December 31, 2017 with no material impact on the Foundation.

NOTE 2 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher)	\$ <u>36,042*</u>	\$ <u>-</u>

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC.

**Investment in FCCC/Osher* – The fair value of the investments held by FCCC were based upon the net asset values ("NAVs") of the assets at June 30, 2017 and 2016. The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio.

Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

NOTE 3 – NET ASSETS

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

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FRIENDS OF CHABOT COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3 – NET ASSETS (Continued)

The Foundation follows adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool.

Changes in endowment net assets for the fiscal year ended June 30, 2017, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Change in fair value of investments and investment income	-	5,932	-	5,932
Contributions	-	-	31,577	31,577
Other transfer	-	-	-	-
Appropriation of endowment assets for expenditure	-	(1,467)	-	(1,467)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,465</u>	<u>\$ 31,577</u>	<u>\$ 36,042</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2017, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 4,465	\$ 31,577	\$ 36,042
Board-designated endowment funds	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 4,465</u>	<u>\$ 31,577</u>	<u>\$ 36,042</u>

NOTE 4 – SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2017 to January 8, 2018, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.