Agenda Item (VIII-D-1)

Meeting	2/21/2017 - Regular
Agenda Item	Committee - Resources (VIII-D-1)
Subject	2015-2016 Independent Audit Report for the Riverside Community College District Foundation
College/District	District
Funding	N/A
Recommended Action	It is recommended that the Board of Trustees receive the Riverside Community College District Foundation's independent audit report for the year ended June 30, 2016 for the permanent file of the District.

Background Narrative:

An independent audit of the Foundation's 2015-2016 financial statements was performed by Ahern, Adcock, Devlin, LLP Certified Public Accountants (AAD). A representative of the firm will be available to present the report. Results of the audit are summarized below.

- Auditor's Opinion – The auditors have issued an unmodified opinion for the financial audit as of June 30, 2016 and 2015.
- Audit Findings – There were no findings or questioned costs.
- As noted in both the SAS 114 and 115 letters, AAD identified a material weakness in the Foundation's internal control associated with two Charitable Remainder Unitrust donations that were not recognized or recorded in the year the agreements were established. The Foundation is establishing policies to appropriately recognize and account for Charitable Remainder Unitrusts.
- The audit report was presented to and accepted by the Foundation's Board of Directors on January 24, 2017.

Prepared By: Aaron Brown, Vice Chancellor, Business and Financial Services
Melissa Elwood, Controller
Launa K. Wilson, Director, RCCD Foundation and Alumni Affairs

Attachments:

02212017_Foundation Audit Report FY15-16
02212017_AAD SAS 114 Letter
02212017_AAD SAS 115 Letter

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

CONTENTS

June 30, 2016 AND 2015

AhernAdcockDevlin

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Independent Auditors' Report

To the Board of Directors
Riverside Community College District Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Riverside Community College District Foundation (the Foundation) which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements (collectively, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' judgment, including the assessment of 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 Foundation'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 Foundation'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 Riverside Community College District Foundation as of June 30, 2016 and 2015, 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.

Ahern Adcock Devlin LLP

December 20, 2016

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		(Restated,
Current assets		see Note 13)
Cash and cash equivalents		
Unrestricted	$ 788,377	$ 440,265
Restricted	421,406	611,646
Accounts receivable	32,966	-
Unconditional promises to give, net of allowance	247,731	53,816
Total current assets	1,490,480	1,105,727
Noncurrent assets		
Investments - restricted	7,003,348	6,842,957
Beneficial interest in Foundation for California Community Colleges Osher Endowment	365,168	365,168
Beneficial interest in charitable remainder unitrust agreements	1,356,107	1,372,495
Long-term unconditional promises to give, net of allowance	645,402	44,535
Total noncurrent assets	9,370,025	8,625,155
Total assets	$10,860,505	$9,730,882
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 124,360	$ 165,157
Refundable advance	239,500	-
Promises to give to others	-	97,138
Total current liabilities	363,860	262,295
Total liabilities	363,860	262,295
Net assets		
Unrestricted		
Undesignated	502,868	286,530
Board designated	66,665	18,653
Total unrestricted net assets	569,533	305,183
Temporarily restricted	1,862,328	1,387,035
Permanently restricted	8,064,784	7,776,369
Total net assets	10,496,645	9,468,587
Total liabilities and net assets	$10,860,505	$9,730,882

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND RECLASSIFICATIONS				
Donations	$ 223,161	$1,427,766	$ 549,840	$ 2,200,767
In-kind donations				
Donated assets	171,558	-	-	171,558
Donated material	10,493	-	-	10,493
Donated services	627,824	-	-	627,824
Forgiveness of debt	92,218	-	-	92,218
Total revenues	1,125,254	1,427,766	549,840	3,102,860
Assets released from restriction	1,214,584	(952,578)	(262,006)	-
Total revenues and reclassifications	2,339,838	475,188	287,834	3,102,860
EXPENSES				
Program expenses	1,409,806	-	-	1,409,806
Support services expenses	373,038	-	-	373,038
Fundraising expenses	293,918	-	-	293,918
Total expenses	2,076,762	-	-	2,076,762
OTHER INCOME AND EXPENSES				
Realized gains on investments	48,871	2,449	377,021	428,341
Unrealized losses on investments	(55,925)	(2,802)	(431,436)	(490,163)
Interest and dividends income	9,147	458	70,565	80,170
Unrealized loss on beneficial interest in trusts	(819)	-	(15,569)	(16,388)
Total other income and expenses	1,274	105	581	1,960
Change in net assets	264,350	475,293	288,415	1,028,058
Net assets, beginning of year, as previously stated	305,183	1,387,035	7,776,369	9,468,587
Net assets, beginning of year	-	-	-	-
Net assets, beginning of year	305,183	1,387,035	7,776,369	9,468,587
Net assets, end of year	$ 569,533	$1,862,328	$8,064,784	$10,496,645

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

2015 (Restated, See Note 13)			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 116,051	$ 959,774	$ 198,814	$1,274,639
47,043	-	-	47,043
25,064	-	-	25,064
465,732	-	-	465,732
-	-	-	-
653,890	959,774	198,814	1,812,478
1,010,898	(810,301)	(200,597)	-
1,664,788	149,473	(1,783)	1,812,478
1,142,622	-	-	1,142,622
296,852	-	-	296,852
129,815	-	-	129,815
1,569,289	-	-	1,569,289
9,674	5,161	311,353	326,188
(5,987)	(3,193)	(192,673)	(201,853)
2,305	1,229	74,175	77,709
(676)	-	(12,849)	(13,525)
5,316	3,197	180,006	188,519
100,815	152,670	178,223	431,708
135,067	1,234,365	6,281,427	7,650,859
69,301	-	1,316,719	1,386,020
204,368	1,234,365	7,598,146	9,036,879
$ 305,183	$1,387,035	$7,776,369	$9,468,587

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		(Restated, See Note 13)
Change in net assets	$1,028,058	$ 431,708
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Realized gains on investments	(428,341)	(326,188)
Unrealized losses on investments	490,163	201,853
Unrealized losses on beneficial interest in trusts	16,388	13,525
Provision for doubtful accounts	(48,249)	400
Forgiveness of debt	(92,218)	-
(Increase) decrease in:		
Accounts receivable	(32,966)	8,897
Prepaid expenses	-	2,000
Unrestricted unconditional promises to give	(145,666)	(9,496)
Increase (decrease) in:		
Accounts payable	(40,797)	(14,951)
Refundable advance	239,500	(94,677)
Net cash provided by operating activities	985,872	213,071
Cash flows from investing activities		
Purchases of investments	(222,213)	(264,784)
Cash flows from financing activities		
Change in long-term unconditional promises to give	(600,867)	5,490
Payments on promises to give to others	(4,920)	-
Changes in restricted cash	190,240	(265,986)
Net cash used in financing activities	(415,547)	(260,496)
Net change in cash and cash equivalents	348,112	(312,209)
Cash and cash equivalents		
Balance, beginning of year	440,265	752,474
Balance, end of year	$ 788,377	$ 440,265

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			
	Operating	Program	Fundraising	Total
Donated assets	$ -	$ 171,558	$ -	$ 171,558
Donated materials	10,493	-	-	10,493
Donated services	258,633	78,563	290,628	627,824
Support – instructional and student programs	-	369,307	-	369,307
Scholarships	-	476,260	-	476,260
Printing	8,701	2,695	3,290	14,686
Allowance for uncollected pledges	-	45,573	-	45,573
Investment fees	-	49,819	-	49,819
Office supplies	1,571	-	-	1,571
Postage	196	-	-	196
Other services	93,444	216,031	-	309,475
Total expenses	$ 373,038	$1,409,806	$293,918	$2,076,762

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

2015 (Restated, See Note 13)			
Operating	Program	Fundraising	Total
$ -	$ 47,043	$ -	$ 47,043
25,064	-	-	25,064
220,151	115,766	129,815	465,732
-	357,463	-	357,463
-	412,844	-	412,844
10,576	7,674	-	18,250
(46)	3,902	-	3,856
-	49,530	-	49,530
-	-	-	-
196	-	-	196
40,911	148,400	-	189,311
$296,852	$1,142,622	$129,815	$1,569,289

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 - ORGANIZATION

The Riverside Community College District Foundation (the Foundation) was formed as a nonprofit corporation on October 21, 1975, to solicit funds, provide support for the programs and projects of the Riverside Community College District (the District), and to account for the issuance of scholarships to the students of the District. The Foundation also serves as a link between the District and the community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation
The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Foundation and the District are financially interrelated organizations as defined by the Financial Accounting Standards Board (FASB), Accounting Standards Codification 958-20, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. 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 program expenses.

Net Asset Classification
Under U.S. GAAP, funds that have similar characteristics are combined on the financial statements into three net asset categories: unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets are not restricted by donors, or the donor–imposed restrictions have expired.

Temporarily restricted net assets contain donor–imposed restrictions that permit the Foundation to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets contain donor–imposed restrictions and stipulate that the resources be maintained permanently, but permit the Foundation to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Expiration of Donor-Imposed Restrictions
Temporarily restricted net assets have donor-imposed restrictions that permit the Foundation to use up or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Foundation. As the restrictions expire and become available for expenditure, the funds are released to unrestricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements
The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Endowment Funds
The Foundation endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which has been enacted by the State of California. Donations made to the Foundation are classified as permanently restricted if the donor has stipulated the donation is to be held in perpetuity by the Foundation.

The Foundation has a spending policy which governs the funds to be transferred from the endowment. If the donor has provided endowment funds that are permanently restricted, the Foundation will obtain from the donor a description of any further restrictions to be placed on any earnings from the permanently restricted funds. If there are further restrictions, either program or time restrictions, the earnings are considered temporarily restricted until such time as the restrictions are met. Unspent earnings are returned to the corpus if required by the original agreement with the donor.

The Foundation's investment policy for endowment funds is to preserve and enhance the purchasing power while providing a relatively predictable, stable, and constant stream of earnings consistent with the Foundation's spending needs to enable the Foundation to provide scholarships to District students. Investments will be diversified to avoid undue risk and will be sufficiently liquid to meet operating requirements. Annual spending parameters take into consideration the rate of inflation and real growth of the pooled investment fund. Spending percentage will be equal to average earnings of the past three years, less inflation rate, at a maximum of 4.5 percent of a three-year average market value.

The permanently restricted balances at June 30, 2016 and 2015 were $8,064,784 and $7,776,369, respectively, and the balances designated by the board for scholarships were $66,665 and $18,653, respectively. The endowment funds consist of pooled investment funds. The activity in the permanently restricted net asset class is reflected in the statement of activities and changes in net assets. Amounts appropriated for expenditures and/or reclassification are shown as net assets released from restriction. Board designated balance is included in the unrestricted net asset class.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and 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. Expiration of restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as assets are released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the time of the gift.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets, services, and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets, if received for the benefit of the Foundation, are capitalized at the stated donated value and depreciated in accordance with Foundation policies. When donated assets, services and facilities are passed through to the District, they are recorded as revenue from in-kind donations and expensed as in-kind distributions. During the years ended June 30, 2016 and 2015, all donated assets have been passed through to the District. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value.

Charitable Remainder Unitrust Agreements

The Foundation is the beneficiary of two charitable remainder unitrust agreements administered by a third-party. The third-party administrator reports the present value of the Foundation's remainder interest annually. The remainder interest is recorded in accounts receivable and is classified as temporarily restricted and permanently restricted.

Income Tax

The Foundation is a charitable not-for-profit organization and is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue and Code Section 23701(d) of the California Revenue and Taxation Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents for Statements of Cash Flows
For purposes of the statements of cash flows, the Foundation considers all highly liquid unrestricted investments available for current use purchased with a maturity of three months or less at the purchase date to be cash equivalents, and does not include restricted cash.

Pledges Receivable
Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined the amount of allowance for uncollectible promises to give at June 30, 2016 and 2015 to be $48,249 and $5,176, respectively.

Functional Allocation of Expenses
The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain 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, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and accompanying notes. While management believes that these estimates are adequate, actual results could differ from those estimates.

Reclassifications
Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation with no impact on net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This accounting principle is effective for fiscal years beginning after December 15, 2017. Early application of the amendments in this update is permitted. The amendments should be applied on a retrospective basis in the year that the update is first applied. The update makes certain improvements that address many of the identified issues about the current financial reporting for not for profit entities. The Foundation is currently assessing the potential impact of implementing this standard.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which require a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 will be effective for fiscal years beginning after December 15, 2020 and the transition method will be a cumulative-effect adjustment to net assets as of the beginning of the first reporting period. The Foundation is currently assessing the potential impact of implementing this standard.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 will be effective for the Foundation for fiscal years beginning after December 15, 2018. The Foundation is currently assessing the potential impact of implementing this standard.

In May 2015, FASB issued ASU 2015-07, *Fair Value Measurement* (Topic 850): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which 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. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. This ASU will be effective for the Foundation for fiscal years beginning after December 15, 2016. Early adoption is permitted and the amendments in ASU 2015-07 should be applied retrospectively to all periods presented. The Foundation is currently assessing the potential impact implementing this standard.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This accounting principle's effective date for fiscal years beginning after December 15, 2017 for nonpublic entities has been postponed for one year by ASU 2015-14. Additional guidance was issued under ASU 2016-12 and ASU 2016-08 with the same effective date. Early adoption is permitted for fiscal years beginning after December 15, 2016 and retrospective application is required. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The Foundation is currently assessing the potential impact of implementing this standard.

NOTE 3 – RISKS AND UNCERTAINTIES

The Foundation has cash and cash equivalents in financial institutions that may or may not be insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. At various times throughout the year, the Foundation may have cash balances at financial institutions which exceed the FDIC insurance limit. Additionally, the Foundation deposits are covered under the collateralization of governmental funds agreement which provides for collateralization of deposits with eligible securities at a rate of 110 percent of the deposit on hand. As of June 30, 2016, the balances held in financial institutions of $723,274 were not fully insured, but were collateralized with securities held by the financial institution, but not in the Foundation's name. Management reviews the balances and the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for the Foundation.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The volatility of the market and credit institutions after June 30, 2016 could have a significant, negative effect on the Foundation's investments.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2016 and 2015 consist of pledges and are due within the following schedule:

	2016	2015
Restricted	$645,402	$44,535
Unrestricted	247,731	53,816
Total promises to give	$893,133	$98,351

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE (Continued)

	2016	2015
Due within one year	$257,666	$56,648
Due within one to five years	679,311	46,879
Due in more than five years	28,000	-
Total promises to give	964,977	103,527
Less discounts to net present value	(23,595)	-
Less allowance for uncollectible promises to give	(48,249)	(5,176)
Net promises to give	$893,133	$98,351

Promises to give are discounted at 1.41 percent at June 30, 2016.

NOTE 5 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2016:

	2016		
	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$2,104,117	$2,256,660	$ 152,543
Corporate bonds	1,067,743	1,102,467	34,724
Government bonds	66,642	69,863	3,221
Mutual funds	3,793,553	3,574,358	(219,195)
	$7,032,055	$7,003,348	$(28,707)

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	2015		
	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$1,918,223	$2,094,820	$176,597
Corporate bonds	1,142,917	1,153,436	10,519
Government bonds	73,885	76,267	2,382
Mutual funds	3,462,086	3,518,434	56,348
	$6,597,111	$6,842,957	$245,846

NOTE 5 – INVESTMENTS (Continued)

Market Value of Financial Assets and Liabilities
The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in U.S. GAAP which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015:

NOTE 5 – INVESTMENTS (Continued)

Equities: Valued at the closing price in the active market on which the individual equities are traded.

Corporate and government bonds: Valued at the closing price reported in the active market on which the individual securities are traded.

Mutual funds: Valued at the closing price reported in the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the balance of assets measured at fair value for 2016. There were no liabilities outstanding and measured at fair value as of June 30, 2016.

	Carrying Value at June 30, 2016	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,172,330	$1,172,330	$ -	$ -
Investments – equities	2,256,660	2,256,660	-	-
Mutual funds	3,574,358	3,574,358	-	-
	$7,003,348	$7,003,348	$ -	$ -

The table below presents the balance of assets measured at fair value for 2015. There were no liabilities outstanding and measured at fair value as of June 30, 2015.

	Carrying Value at June 30, 2015	Level 1	Level 2	Level 3
Investments – corporate and government bonds	$1,229,703	$1,229,703	$ -	$ -
Investments – equities	2,094,820	2,094,820	-	-
Mutual funds	3,518,434	3,518,434	-	-
	$6,842,957	$6,842,957	$ -	$ -

NOTE 6 – BENEFICIAL INTEREST IN FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES OSHER ENDOWMENT

The RCCD Foundation is participating in a gift-match program in conjunction with the Foundation for California Community Colleges and the Bernard Osher Foundation. There are two types of Osher Foundation Scholarships that the Foundation for California Community Colleges is managing. The first sets of scholarships were completely funded through an initial donation of $25,000,000 from the Osher Foundation and were allocated to each of the 112 California Community Colleges. Each year, Riverside Community College District Foundation receives scholarships to award based upon the Osher Foundation criteria. The RCCD Foundation does not include this investment on its financial statements.

The second sets of scholarships are funded through donations received by the RCCD Foundation and are included in the RCCD Foundation's financial statements with the approval of the Foundation for California Community Colleges. The value stated includes only the actual donation amount and does not include the Osher Foundation gift-match amount. All of the funds are managed by an investment firm hired by the Foundation for California Community Colleges.

NOTE 7 – CHARITABLE REMAINDER UNITRUST AGREEMENTS

Charitable remainder unitrust agreements are administered by the First Trust of America Company. The change in present value of these agreements for the years ended June 30, 2016 and 2015 were decreases of $16,388 and $13,525 respectively.

This information is reflected in the financial statements, allocated within the total for temporarily restricted and permanently restricted other income.

NOTE 8 – ACCOUNTS PAYABLE

Accounts payable for the Foundation consisted of the following:

	June 30,	
	2016	2015
Payable to District for program expenses	$121,570	$164,321
Vendor payables	2,790	836
	$124,360	$165,157

NOTE 9 – REFUNDABLE ADVANCES

During the year ended June 30, 2016, the Foundation was awarded a $250,000 grant to sustain and strengthen campus-based support and services that promote the health, wellbeing and higher education success of current and former foster youth across the District, through May 31, 2019. As of June 30, 2016, the entire grant was received. Of the total received, $10,500 had been incurred as general and administrative fees and thus recognized as revenue through the year ended June 30, 2016.

NOTE 10 – NET ASSETS

At June 30, temporarily restricted net assets were available for the following purposes:

	2016	2015
Scholarships	$ 512,862	$ 408,149
Programs	1,349,466	978,886
	$1,862,328	$1,387,035

At June 30, 2016 and 2015, investment earnings are permanently restricted net assets for scholarships.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as instructional and student programs and scholarship expense. The Foundation has contributed $296,277 and $357,463 to the District for student programs for the years ended June 30, 2016 and 2015, respectively. The Foundation has contributed $349,886 and $412,844 to the District for student scholarships for the years ended June 30, 2016 and 2015, respectively. Additionally, the Foundation promised to give a total $5,833,783, of which $1,700,000 and $3,054,000 were to be passed through from the County of Riverside and the City of Riverside, respectively, under a memorandum of understanding with the District for construction of the Aquatics Complex. As of June 30, 2015, the Foundation owed $97,138. During the year ending June 30, 2016, the remaining balance of $92,218 was forgiven by the District.

The District provides office space and other support to the Foundation. The Foundation office is currently housed in a building, which is owned by the District, and is jointly used by both the District and the Foundation. The Foundation leases the property at a cost of $1.00 per year. This agreement expires November 30, 2018.

The Foundation received contributed employee services, other professional services, and materials valued at $505,984 and $490,796 from the District for the years ended June 30, 2016 and 2015, respectively.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the financial statements for the year ended June 30, 2014, a restatement was made in recorded beneficial interest in charitable remainder unitrust agreements. This restatement was made and has the following effect on the beginning net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning net assets, as previously reported	$135,067	$1,234,365	$6,281,427	$7,650,859
Adjustments to record beneficial interest in charitable remainder unitrust agreements	69,301		1,316,719	1,386,020
Balance as restated, June 30, 2014	$204,368	$1,234,365	$7,598,146	$9,036,879

NOTE 13 – SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 20, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

AhernAdcockDevlin

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To the Board of Directors
Riverside Community College District Foundation

We have audited the financial statements of Riverside Community College District Foundation (the "Foundation") for the year ended June 30, 2016, and have issued our report thereon dated December 20, 2016. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. The accounting policy for charitable remainder unitrust agreements was adopted during the year ended June 30, 2016, and is included in Note 2 to the financial statements. The application of existing policies was not changed during the year ended June 30, 2016. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The fair market value of investments is based upon market analysis as of June 30, 2016. We have obtained information from the investment managers in determining the fair presentation of these amounts.
- Management's estimate of the allowance for uncollectible promises to give is based on an amount determined to be reasonable by management that is at least one percent of total promises to give, or specifically identified past due pledges that are likely to be uncollectible.
- Management's estimate of fair market value of donated services and materials, which is based on the actual cost of donated materials and hours allocated to the Foundation at the prevailing wage rate for the employees involved in the Foundation's activities, and cost of materials which is expected to approximate fair value at the time of donation.

To the Board of Directors
Riverside Community College District Foundation
Page 2

- Management's estimate of the allocation of functional expenses is based on usage, percentage of total and direct allocation of expenses.
- The forgiveness of debt was the write-off of the remaining balance due to the District that was originally estimated by management as the estimated construction costs that the Foundation was raising contributions for under a memorandum of understanding between the District and the Foundation.

We evaluated the key factors and assumptions used to develop the management estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed upon discovery of two unrecorded beneficial interest in charitable remainder unitrust agreements, which required additional time and effort to obtain information and calculate the basis for recording the interest.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The adjustment to record the beneficial interest in the two charitable reaminder unitrust agreements totaling $1,356,107 at June 30, 2016 was a material misstatement detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Ahern Adcock Devlin LLP

December 20, 2016

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION

Summary of Passed Adjustments

June 30, 2016

(1)

Releases from restrictions (temporarily restricted)	$12,500	
Released to unrestricted		$12,500

To reverse Century Circle funds for $12,500 transferred to restricted funds.

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To the Board of Directors and Management
Riverside Community College District Foundation

In planning and performing our audit of the financial statements of Riverside Community College District Foundation (the "Foundation") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Foundation's internal control to be a material weakness:

Charitable Remainder Unitrust Agreements

During the audit, we became aware of two charitable remainder unitrust agreements ("unitrusts") that should have been recognized and recorded several years ago. While there were several individuals who were aware of the existence of the unitrusts, the requirement to record the agreements and annual activity was not considered. This breakdown in internal controls constitutes a deficiency in the Foundation's control system.

The Foundation should adopt a policy with respect to the initial recording of unitrusts as well as the annual change in valuation of the unitrusts. We recommend that a person with knowledge of accounting for not-for-profit organizations be made responsible for financial reporting to ensure communication with Foundation staff regarding these types of transactions and other potentially complex financial reporting issues to ensure complete reporting for the Foundation.

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This communication is intended solely for the information and use of management, board of directors, and others within Riverside Community College District Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Ahern Adcock Devlin LLP

December 20, 2016