

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)



CPAs | CONSULTANTS | WEALTH ADVISORS

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RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
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YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Riverside Community College District Foundation
Riverside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Riverside Community College District Foundation, which comprise of the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2023, and the results of its operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Riverside Community College District 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 the 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 Riverside Community College District Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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:

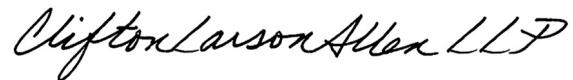
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Riverside Community College District 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 Riverside Community College District 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.

Board of Directors
Riverside Community College District Foundation

Report on Summarized Comparative Information

We have previously audited the Riverside Community College District Foundation's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
November 9, 2023

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

| | 2023 | 2022 |
|---|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 742,762 | \$ 3,621,997 |
| Operating Investments | 702,046 | 610,207 |
| Pledge Receivable - Current Portion | 112,850 | 765,922 |
| Total Current Assets | 1,557,658 | 4,998,126 |
| NONCURRENT ASSETS | | |
| Investments | 14,983,100 | 11,558,577 |
| Funds Held with FCCC | 459,125 | 440,019 |
| Pledges Receivable, Net | 76,251 | - |
| Split-Interest Agreements Receivable | 3,502,442 | 3,453,891 |
| Total Noncurrent Assets | 19,020,918 | 15,452,487 |
| Total Assets | \$ 20,578,576 | \$ 20,450,613 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 5,605 | \$ 29,762 |
| Due to Riverside Community College District | 16,092 | 14,904 |
| Refundable Advances | 305,161 | 653,383 |
| Total Current Liabilities | 326,858 | 698,049 |
| NET ASSETS | | |
| Without Donor Restrictions | 1,190,980 | 1,013,089 |
| With Donor Restrictions | 19,060,738 | 18,739,475 |
| Total Net Assets | 20,251,718 | 19,752,564 |
| Total Liabilities and Net Assets | \$ 20,578,576 | \$ 20,450,613 |

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

| | 2023 | | | 2022 Total |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| SUPPORT AND REVENUES | | | | |
| Support: | | | | |
| Contributions | \$ 29,473 | \$ 971,336 | \$ 1,000,809 | \$ 2,893,352 |
| Contributions - Split-Interest Agreements | - | - | - | - |
| Grants | - | 492,162 | 492,162 | 1,328,263 |
| Special Events | - | 70,703 | 70,703 | 103,997 |
| Administrative Fees | 166,957 | - | 166,957 | 263,560 |
| Donated Salaries and Benefits | 913,177 | - | 913,177 | 889,360 |
| Donated Facilities | 22,068 | - | 22,068 | 21,226 |
| In-Kind Donations | 31,044 | - | 31,044 | 33,573 |
| Total Support | <u>1,162,719</u> | <u>1,534,201</u> | <u>2,696,920</u> | <u>5,533,331</u> |
| Other Income Gains and Losses: | | | | |
| Investment Income | 86,505 | 977,052 | 1,063,557 | (1,551,473) |
| Change in Value - Split-Interest Agreements | - | 48,552 | 48,552 | (422,535) |
| Change in Value - Funds Held by FCCC | - | 19,106 | 19,106 | (92,156) |
| Total Other Income Gains and Losses | <u>86,505</u> | <u>1,044,710</u> | <u>1,131,215</u> | <u>(2,066,164)</u> |
| Total Revenues Before Net Assets Released from Restrictions | 1,249,224 | 2,578,911 | 3,828,135 | 3,467,167 |
| Net Assets Released from Restrictions | <u>2,257,648</u> | <u>(2,257,648)</u> | <u>-</u> | <u>-</u> |
| Total Support and Revenues | <u>3,506,872</u> | <u>321,263</u> | <u>3,828,135</u> | <u>3,467,167</u> |
| OPERATING EXPENSES | | | | |
| Program: | | | | |
| Student and College Support | 1,728,903 | - | 1,728,903 | 1,719,372 |
| Grant Fulfillment | 664,960 | - | 664,960 | 870,107 |
| Supporting Services: | | | | |
| Management and General | 679,107 | - | 679,107 | 613,558 |
| Fundraising | 256,011 | - | 256,011 | 266,907 |
| Total Expenses | <u>3,328,981</u> | <u>-</u> | <u>3,328,981</u> | <u>3,469,944</u> |
| CHANGE IN NET ASSETS | 177,891 | 321,263 | 499,154 | (2,777) |
| Net Assets - Beginning of Year | <u>1,013,089</u> | <u>18,739,475</u> | <u>19,752,564</u> | <u>19,775,341</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,190,980</u> | <u>\$ 19,060,738</u> | <u>\$ 20,251,718</u> | <u>\$ 19,772,564</u> |

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

| | 2023 | 2022 |
|---|--------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Donations, Grants, and Fundraisers | \$ 1,025,295 | \$ 3,588,861 |
| Cash Paid for Student Scholarships, Grants, and Campus Programs | (555,689) | (1,527,351) |
| Cash Paid for Operating Expenses and Fundraising | <u>(1,704,412)</u> | <u>(1,107,792)</u> |
| Net Cash Provided (Used) by Operating Activities | (1,234,806) | 953,718 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Reinvested Interest and Dividends, Net of Expense | 92,454 | 14,515 |
| Proceeds from Sale of Investments | 898,375 | 297,494 |
| Purchase of Investments | <u>(2,825,415)</u> | <u>(771,981)</u> |
| Net Cash Used by Investing Activities | (1,834,586) | (459,972) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Received from Endowed Donations | <u>190,157</u> | <u>1,014,388</u> |
| Net Cash Provided by Financing Activities | <u>190,157</u> | <u>1,014,388</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,879,235) | 1,508,134 |
| Cash and Cash Equivalents - Beginning of Year | <u>3,621,997</u> | <u>2,113,863</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 742,762</u></u> | <u><u>\$ 3,621,997</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash and Cash Equivalents - Without Donor Restrictions | \$ 200,000 | \$ 200,000 |
| Cash and Cash Equivalents - With Donor Restrictions | <u>542,762</u> | <u>3,421,997</u> |
| Total Cash and Cash Equivalents | <u><u>\$ 742,762</u></u> | <u><u>\$ 3,621,997</u></u> |

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

| | 2023 | 2022 |
|---|-----------------------|-------------------|
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 499,154 | \$ (2,777) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Realized and Unrealized Loss (Gain) on Investments | (894,759) | 1,626,798 |
| Reinvested Interest and Dividends, Net of Expense | (92,454) | (14,515) |
| Endowed Contributions | (190,157) | (1,014,388) |
| Allowance and Write Off of Uncollectible Accounts, Net | (4,890) | 60,700 |
| Change in Value - Split-Interest Agreements | (48,552) | 422,535 |
| Change in Value - Funds Held by FCCC | (19,106) | 92,156 |
| Change in Operating Assets - (Increase) Decrease: | | |
| Pledges Receivable, Net | (112,850) | 313,586 |
| Change in Operating Liabilities - Increase (Decrease): | | |
| Accounts Payable | (24,157) | (1,982) |
| Due to Riverside Community College District | 1,188 | (439,189) |
| Refundable Advances | (348,222) | (89,206) |
| | <u>\$ (1,234,805)</u> | <u>\$ 953,718</u> |

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

| | 2023 | | | | | | 2022 |
|---|--------------------------------|----------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | Student and College Support | Grant Fulfillment | Total Program | Management and General | Fundraising | Total | Total |
| Donated Salaries and Benefits | \$ 183,769 | \$ - | \$ 183,769 | \$ 511,907 | \$ 217,501 | \$ 913,177 | \$ 889,060 |
| Donated Facilities | 4,441 | - | 4,441 | 12,371 | 5,256 | 22,068 | 21,225 |
| In-Kind Donations | - | - | - | 31,044 | - | 31,044 | 33,873 |
| Salaries and Benefits | - | - | - | - | - | - | 7,554 |
| Scholarships | 386,884 | 4,000 | 390,884 | - | - | 390,884 | 710,847 |
| Support - Instructional and Student Programs | 2,751 | 162,054 | 164,805 | - | - | 164,805 | 816,504 |
| Insurance | - | - | - | 2,044 | - | 2,044 | 1,729 |
| Professional Fees | - | - | - | 24,413 | 33,254 | 57,667 | 27,266 |
| Printing | 6,034 | - | 6,034 | - | - | 6,034 | - |
| Office Expenses | 541,216 | 18,796 | 560,012 | - | - | 560,012 | 269,686 |
| Postage, Shipping, and Delivery | - | - | - | - | - | - | - |
| Equipment | - | 11,461 | 11,461 | 33,864 | - | 45,325 | 29,768 |
| Memberships and Dues | 500 | - | 500 | - | - | 500 | 1,500 |
| Contract Services | 427,228 | 457,660 | 884,888 | - | - | 884,888 | 132,808 |
| Administrative Fees | 166,957 | - | 166,957 | - | - | 166,957 | 263,560 |
| Allowance and Write Off of Uncollectible Pledges Receivable, Net | (4,640) | (12,500) | (17,140) | 12,250 | - | (4,890) | 60,700 |
| Other Expenses | 13,763 | 23,489 | 37,252 | 51,179 | - | 88,431 | 203,864 |
| Total | \$ 1,728,903 | \$ 664,960 | \$ 2,393,863 | \$ 679,107 | \$ 256,011 | \$ 3,328,981 | \$ 3,469,944 |

See accompanying Notes to Financial Statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Riverside Community College District Foundation (the Foundation), is a nonprofit public benefit corporation incorporated in the state of California 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Donations, other than cash, or the equivalent of cash, are recorded at estimated fair value at the time of the donation.

Classification of Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all cash available for immediate use. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds. Cash held temporarily in the long-term investment portfolio (until suitable investments are identified) is excluded from cash and cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of interest and donations receivable. Bad debts are accounted for by the direct write off method. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are due in more than one year are recognized at fair value using the applicable mid-term federal rate published by the Internal Revenue Service (IRS) for the month of June 2023 and 2022. Amortization of the discount is included in contribution revenue.

The Foundation has net pledges receivables for unconditional promises to give in the amount of \$189,101 and \$765,922 at June 30, 2023 and 2022, respectively. Management has reviewed the collectability of these pledges and determines the balances to be fully collectible; however, a 5% allowance of uncollectible pledges is established. A plan to regularly evaluate pledges receivable and the potential collectability is in place and reviewed throughout the year. The allowance and write off of uncollectible pledges receivable is netted in the statement of functional expenses.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

Split-Interest Agreements

The Foundation has three charitable remainder trusts and one testamentary trust, referred to as split-interest agreements. The terms and discount rates for these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the IRS for determining the amount of the charitable contribution. The charitable remainder trusts are administered by a third party. Assets associated with the split-interest agreements are recognized at the present value of the estimated future benefits of the agreement.

Accounts Payable

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocations of Expenses

The costs of providing the various programs 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 supporting services benefited.

Administrative Fee

To allow for sufficient operating support, a 5% administrative fee may be assessed on all new gifts to the Foundation. In addition, an annual fee of up to 1% may be charged on endowment gifts. These fee assessments are reviewed on an annual basis.

Contributions and Contribution Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

The gifts are reported as 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 as net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

In-Kind Donations

The Foundation receives donations of noncash items, such as equipment, from various businesses and foundations. This equipment is integral to the training and education programs provided by the Colleges and is passed through directly to the District for use in the educational programs. In addition, certain costs for goods and services are paid for by the District on the Foundation's behalf. Donated items with a value of less than \$5,000 are recorded at the donor's estimated value. When the value of the equipment has not been substantiated by appraisal reports, it is not included within the financial statements as support or expense.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications to the summarized comparative information have been made to conform to the current year presentation. The reclassifications have no effect on the previously reported net assets or change in net assets.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Totals

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2022.

Income Taxes

The Foundation is a nonprofit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California.

Subsequent Events

The Foundation has evaluated subsequent events through November 9, 2023, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2023.

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 date, comprise the following:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 200,000 | \$ 200,000 |
| Operating Investments | 702,046 | 610,207 |
| Total | <u>\$ 902,046</u> | <u>\$ 810,207</u> |

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of \$200,000 in short-term investments, certificate of deposits, and money market funds. Donor-restricted cash and cash equivalents are not available for general expenditure.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation's board-designated endowment is subject to an annual spending rate of up to 4.5% as described in Note 9. At June 30, 2023 and 2022, the board-designated endowment was \$99,832 and \$92,053, respectively. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts, with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due organizations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of June 30, 2023, the Foundation had investments in excess of the SIPC insurance amount. The Foundation followed established policies in directing and monitoring the investment management of the Foundation's investments during the year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

NOTE 4 FAIR VALUE MEASUREMENT

The Foundation applies Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurement of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets that the Foundation has the ability to access at the measurement date.

Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 – inputs are unobservable for the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of pledges receivable, net, which are managed and administered by the Foundation, are based on the fair value of these agreements are based upon the life expectancy of the donor(s) and present value tables provided by the IRS for determining the amount of the charitable contribution.

The fair values of assets held under split interest agreements, net, which are managed and administered by an unrelated third party, are based on the fair value of underlying assets and the present value of annuity payments discounted, using factors published by the IRS. These are considered Level 3 investments.

The fair value of the beneficial interest in the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC), an unrelated third party, is based on the fair value of fund investments, as reported by the third party. The fair value of the beneficial interest in charitable trust held by others is based on the fair value of fund investments held in an irrevocable charitable trust, as reported by the investment manager. These are considered Level 2 investments.

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NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2023:

| | Total | Fair Value Measurements at Report Date Using | | |
|--|---------------|--|--------------|------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments | | | | |
| Equities | \$ 6,755,644 | \$ 6,755,644 | \$ - | \$ - |
| Fixed Income | 4,380,848 | - | 4,380,848 | - |
| Other | 475,140 | - | 475,140 | - |
| Subtotal | 11,611,632 | \$ 6,755,644 | \$ 4,855,988 | \$ - |
| Money Market | 4,073,514 | | | |
| Total Investments | \$ 15,685,146 | | | |
| Pledges Receivable, net | \$ 189,101 | \$ - | \$ - | \$ 189,101 |
| Assets Held Under Split Interest Agreements, Net | \$ 3,502,442 | \$ - | \$ 3,502,442 | \$ - |
| Beneficial Interests in FCCC | \$ 459,125 | \$ - | \$ 459,125 | \$ - |

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2022:

| | Total | Fair Value Measurements at Report Date Using | | |
|--|---------------|--|--------------|------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments | | | | |
| Equities | \$ 6,712,036 | \$ 6,712,036 | \$ - | \$ - |
| Fixed Income | 4,274,131 | - | 4,274,131 | - |
| Subtotal | 10,986,167 | \$ 6,712,036 | \$ 4,274,131 | \$ - |
| Money Market | 1,182,617 | | | |
| Total Investments | \$ 12,168,784 | | | |
| Pledges Receivable, net | \$ 765,922 | \$ - | \$ - | \$ 765,922 |
| Assets Held Under Split Interest Agreements, Net | \$ 3,453,891 | \$ - | \$ 3,453,891 | \$ - |
| Beneficial Interests in FCCC | \$ 440,019 | \$ - | \$ 440,019 | \$ - |

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NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

The changes in Level 3 assets are summarized as follows for the fiscal year ended June 30:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|-------------------|-------------------|
| Unconditional Pledges Receivable | | |
| Beginning Balance | \$ 807,819 | \$ 725,358 |
| New Pledges | 233,890 | 685,959 |
| Pledges Received | (813,834) | (546,919) |
| Pledges Written Off | <u>(25,375)</u> | <u>(56,579)</u> |
| Gross Unconditional Pledges | 202,500 | 807,819 |
| Less: Discount | (3,274) | (1,506) |
| Less: Allowance for Doubtful Accounts | <u>(10,125)</u> | <u>(40,391)</u> |
| Net Pledges Receivable | <u>\$ 189,101</u> | <u>\$ 765,922</u> |

NOTE 5 INVESTMENTS

Realized losses result from the sale of investments below historical cost. Unrealized losses result from the decline in market value of investments held from period to period.

Cost and fair values are as follows at June 30:

| | <u>2023</u> | | <u>2022</u> | |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Investments | | | | |
| Cash and Cash Equivalents | \$ 4,073,514 | \$ 4,073,514 | \$ 1,182,617 | \$ 1,182,617 |
| Equities (Level 1) | 4,511,341 | 6,755,644 | 5,186,812 | 6,712,036 |
| Fixed Income (Level 2) | 4,574,693 | 4,380,848 | 4,427,255 | 4,274,131 |
| Other | 496,416 | 475,140 | - | - |
| Total | <u>\$ 13,655,964</u> | <u>\$ 15,685,146</u> | <u>\$ 10,796,684</u> | <u>\$ 12,168,784</u> |

Investment return was as follows for the years ended June 30:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|-------------------|-----------------------|
| Realized Gain (Loss) on Investments | \$ (58,590) | \$ 551,258 |
| Unrealized Gain (Loss) on Investments | 953,349 | (2,178,056) |
| Interest and Dividends | <u>139,650</u> | <u>72,804</u> |
| Investment Return | 1,034,409 | (1,553,994) |
| Investment Expenses | <u>(47,196)</u> | <u>(58,289)</u> |
| Net Investment Return | <u>\$ 987,213</u> | <u>\$ (1,612,283)</u> |

RIVERSIDE COMMUNITY COLLEGE DISTRICT FOUNDATION
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NOTE 6 SPLIT-INTEREST AGREEMENTS

The Foundation is the beneficiary of four split-interest agreement (three charitable remainder unitrusts and one testamentary trust) for which the Foundation is not the administrator. The Foundation recognized the present value of the estimated future benefits of the agreement to be received as restricted contribution revenue and as a receivable when notified of the agreement.

Contributions receivable from split-interests agreements totaled \$3,502,442 and \$3,453,891 at June 30, 2023 and 2022, respectively. The Foundation will not receive its share of the trust assets until the last heir to the estates passes away.

NOTE 7 PLEDGES RECEIVABLE

Unconditional promises to give are as follows at June 30:

| | 2023 | 2022 |
|---------------------------------------|------------|------------|
| Receivable - Less than One Year | \$ 112,850 | \$ 807,819 |
| Receivable - One to Five Years | 89,650 | - |
| Gross Unconditional Pledges | 202,500 | 807,819 |
| Less: Discount | (3,274) | (1,506) |
| Less: Allowance for Doubtful Accounts | (10,125) | (40,391) |
| Net Pledges Receivable | \$ 189,101 | \$ 765,922 |

Pledges receivable have been discounted to present value using a discount rate of 2.70% in fiscal year 2022-23 and 2.22% in fiscal year 2021-22.

NOTE 8 REFUNDABLE ADVANCES

The Foundation solicits and receives various grants on the District's behalf. These grants are received and held by the Foundation and passed through to the District when the funds have been spent according to the grant's purpose. The funds received are the same as the award amounts. Funds not spent must be returned; therefore, unspent funds are recorded as refundable advances. At June 30, 2023 and 2022, refundable advances held by the Foundation on the District's behalf are \$305,161 and \$653,383, respectively.

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NOTE 9 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets. The Foundation has transferred a total of \$365,253 to the FCCC for Osher Scholarships and a donation of \$26,668 was made on the Foundation's behalf for Sempra Energy Scholarships. These funds are invested in a pooled investment fund held by the FCCC (Level 2). At June 30, 2023, the fair value of these pooled investments totaled \$459,125 which consisted of cash of \$26,152, equity securities of \$307,013, and fixed income instruments of \$125,960. The net investment return of \$9,444 and fund distribution from investment return of \$26,868 was recognized during the fiscal year ended June 30, 2023. The net investment gain of \$36,530 and fund distribution from investment return of \$19,106 was recognized as change in value, FCCC investment during fiscal year ended June 30, 2023. At June 30, 2022 At June 30, 2023, the fair value of these pooled investments totaled \$440,019, which consisted of cash of \$20,415, equity securities of \$291,295, and fixed income instruments of \$128,308. The net investment loss of \$68,956 and fund distribution from investment return of \$23,200 was recognized during the fiscal year ended June 30, 2023. The net investment gain of \$116,059 and fund distribution from investment return of \$22,400 was recognized as change in value June 30, 2022.

FCCC Net Assets

FCCC net assets are as follows for the years ended June 30:

| | <u>2023</u> | <u>2022</u> |
|----------------------------|-------------------|-------------------|
| Osher Scholarships | \$ 426,050 | \$ 408,516 |
| Sempra Energy Scholarships | 33,075 | 31,503 |
| Total | <u>\$ 459,125</u> | <u>\$ 440,019</u> |

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NOTE 9 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC) (CONTINUED)

Changes in FCCC Net Assets

Changes in FCCC net assets are as follows for the years ended June 30:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Endowment Net Assets - Beginning of Year | \$ 440,019 | \$ 532,175 |
| Investment Return: | | |
| Investment Income, Net of Expenses | 9,444 | 13,029 |
| Net Appreciation (Realized and Unrealized) | <u>36,530</u> | <u>(81,985)</u> |
| Total Investment Return | 45,974 | (68,956) |
| Other Changes: | | |
| Fund Distributions | <u>(26,868)</u> | <u>(23,200)</u> |
| Total Other Changes | <u>(26,868)</u> | <u>(23,200)</u> |
| Change in Value - Funds Held by FCCC | <u>19,106</u> | <u>(92,156)</u> |
| Endowment Net Assets - End of Year | <u>\$ 459,125</u> | <u>\$ 440,019</u> |

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous \$50 million matching commitment from the Osher Foundation and an initial contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at \$1,000 for a school year. For the years ended June 30, 2023 and 2022, the Foundation received \$73,200 and \$65,000, respectively, from the Osher Scholarship Fund for scholarships.

NOTE 10 ENDOWMENT

The Foundation's endowment consists of various endowments established for scholarships and educational program purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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NOTE 10 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriations for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. As such, the board has adopted a policy which treats realized and unrealized gains and losses as income on all Endowment Funds.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the organization

Endowment Net Asset Composition by Type of Fund

Endowment net asset composition by type of fund are as follows for the years ended June 30:

| | 2023 | | | 2022 Total |
|------------------|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Donor Restricted | \$ - | \$ 11,558,593 | \$ 11,558,593 | \$ 10,734,508 |
| Board Designated | 99,832 | - | 99,832 | 73,037 |
| Total | <u>\$ 99,832</u> | <u>\$ 11,558,593</u> | <u>\$ 11,658,425</u> | <u>\$ 10,807,545</u> |

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NOTE 10 ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets

Changes in endowment net assets are as follows for the years ended June 30:

| | 2023 | | | 2022 Total |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Endowment Net Assets - Beginning of Year | \$ 73,037 | \$ 10,734,508 | \$ 10,807,545 | \$ 11,063,655 |
| Contributions | 19,016 | 171,141 | 190,157 | 1,014,388 |
| Investment Return: | | | | |
| Investment Income, Net of Expenses | 1,159 | 179,187 | 180,346 | 80,804 |
| Net Appreciation (Realized and Unrealized) | 7,570 | 817,864 | 825,434 | (1,215,699) |
| Total Investment Return | 8,729 | 997,051 | 1,005,780 | (1,134,895) |
| Other Changes: | | | | |
| Distributions | (950) | (344,107) | (345,057) | (135,603) |
| Total Other Changes | (950) | (344,107) | (345,057) | (135,603) |
| Endowment Net Assets - End of Year | <u>\$ 99,832</u> | <u>\$ 11,558,593</u> | <u>\$ 11,658,425</u> | <u>\$ 10,807,545</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the board of directors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2023 and 2022.

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to balance safety of principal, growth of principal and generation of income.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation invests the funds for long-term growth and income, while preserving principal with minimum risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a spending policy which allows an annual spending limit of no more than 4.5% of a trailing three-year average of the total Endowment market value calculated on June 30 of each year.

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NOTE 11 FUNCTIONAL EXPENSE

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the years ended June 30:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Satisfaction of Purpose Restrictions: | | |
| Scholarships | \$ 390,884 | \$ 710,847 |
| Grant Fulfillment | 664,960 | 870,107 |
| Other Restricted Programs | <u>1,201,804</u> | <u>785,362</u> |
| Total Net Assets Released from Donor Restrictions | <u>\$ 2,257,648</u> | <u>\$ 2,366,316</u> |

Net assets with donor restrictions are restricted for the following purposes or periods:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| Subject to Expenditure for Specific Purpose: | | |
| Scholarships | \$ 462,430 | \$ 433,674 |
| Other Restricted Programs | 2,776,115 | 2,869,566 |
| Pledges Receivable for Scholarships and Other Restricted Programs | 172,000 | 760,068 |
| Subject to Passage of Time for Specific Purpose: | | |
| Split-Interest Agreements Held by Others | 3,502,442 | 3,453,891 |
| Not Subject to Spending Policy or Appropriations: | | |
| Investments Held with FCCC in Perpetuity (Including Amounts Above Original Transfer Amount of \$391,921): | | |
| Osher Scholarships | 426,050 | 408,515 |
| Sempra Scholarships | 33,075 | 31,503 |
| Subject to Spending Policy and Appropriation: | | |
| Investment in Perpetuity (Including Amounts Above Original Gift Amount of \$6,309,037 and \$6,069,051), the Income from which is Expendable to Support: | | |
| Pledges Receivable for Endowed Scholarships | 30,500 | 47,750 |
| Endowed Scholarships - spendable | 551,617 | (200,861) |
| Endowed Scholarships - original gift | <u>11,106,509</u> | <u>10,935,369</u> |
| Net Assets With Donor Restrictions | <u>\$ 19,060,738</u> | <u>\$ 18,739,475</u> |

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NOTE 13 RELATED PARTY

The Foundation was organized as an independent organization under California Business Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays salaries and benefits of the executive director, assistant director, and three administrative positions. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. In return, the Foundation provides various levels of monetary support and service to the District. These transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The donated services and facilities for the fiscal year ended June 30, 2023 were valued at \$913,177 and \$22,068. The donated services and facilities for the fiscal year ended June 30, 2022 were valued at \$889,060 and \$21,226. These were recognized in the financial statements as donated services and facilities and operating expenses. In addition, certain expenses for professional services, supplies, and equipment for the Foundation were paid for by the District. For the fiscal years ended June 30, 2023 and 2022, these expenses were valued at \$31,044 and \$33,573, respectively, and are recognized as in-kind donations and operating expenses.



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