



Financial Statements
June 30, 2021

Los Rios Colleges Foundation

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Independent Auditor's Report

The Board of Directors
Los Rios Colleges Foundation
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of Los Rios Colleges Foundation (a California nonprofit corporation) (the Foundation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to, fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Los Rios Colleges Foundation as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

San Ramon, California

February 1, 2022

Los Rios Colleges Foundation
Statement of Financial Position
June 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 2,141,959
Accounts receivable	1,008
Promises to give, current portion	<u>404,472</u>
Total current assets	<u>2,547,439</u>
Noncurrent Assets	
Investments	16,547,730
Beneficial interest in assets	224,098
Long-term promises to give	<u>209,000</u>
Total noncurrent assets	<u>16,980,828</u>
Total assets	<u>\$ 19,528,267</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	<u>\$ 7,478</u>
Net Assets	
Without donor restrictions	2,405,697
With donor restrictions	<u>17,115,092</u>
Total net assets	<u>19,520,789</u>
Total liabilities and net assets	<u>\$ 19,528,267</u>

Los Rios Colleges Foundation
Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 197,075	\$ 2,308,058	\$ 2,505,133
Fundraising and events	6,860	-	6,860
In-kind contributions	61,440	-	61,440
Net assets released from restrictions/transfers	2,208,884	(2,208,884)	-
Total support and revenues	<u>2,474,259</u>	<u>99,174</u>	<u>2,573,433</u>
Expenses			
Scholarships	687,980	-	687,980
College support	1,503,910	-	1,503,910
Grants and sponsorships	9,717	-	9,717
Administrative	149,367	-	149,367
Fundraising	44,760	-	44,760
Total expenses	<u>2,395,734</u>	<u>-</u>	<u>2,395,734</u>
Total revenues in excess of expenses	<u>78,525</u>	<u>99,174</u>	<u>177,699</u>
Other Revenues (Expenses)			
Interest and dividends	64,113	178,400	242,513
Realized gain (loss) on investments	49,482	201,069	250,551
Unrealized gain (loss) on investments	121,803	1,923,555	2,045,358
Intrafund transfers	(8,251)	8,251	-
Total other revenues (expenses)	<u>227,147</u>	<u>2,311,275</u>	<u>2,538,422</u>
Change in Net Assets	305,672	2,410,449	2,716,121
Net Assets, Beginning of Year	<u>2,100,025</u>	<u>14,704,643</u>	<u>16,804,668</u>
Net Assets, End of Year	<u>\$ 2,405,697</u>	<u>\$ 17,115,092</u>	<u>\$ 19,520,789</u>

Los Rios Colleges Foundation
Statement of Functional Expenses
Year Ended June 30, 2021

	Scholarships	College support	Grants and Sponsorships	Total Program Expenses	Administrative	Fundraising	Total Expenses
Scholarships	\$ 687,980	\$ -	\$ -	\$ 687,980	\$ -	\$ -	\$ 687,980
College support	-	1,503,910	9,717	1,513,627	-	-	1,513,627
Supplies and materials	-	-	-	-	29,651	13,644	43,295
Office expense	-	-	-	-	119,716	31,116	150,832
Total expenses	<u>\$ 687,980</u>	<u>\$ 1,503,910</u>	<u>\$ 9,717</u>	<u>\$ 2,201,607</u>	<u>\$ 149,367</u>	<u>\$ 44,760</u>	<u>\$ 2,395,734</u>

Los Rios Colleges Foundation
Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities	
Contributions for scholarships	\$ 1,983,633
Fundraising	6,860
Pledge campaign	556,754
Annual fund	98,819
Other receipts	221,258
Interest on investments	4,495
Scholarships awarded	(693,995)
Payments to suppliers	(1,560,057)
Payments for services	(41,917)
Payments for travel, conferences & meetings	(9,630)
Other operating costs	<u>(647,177)</u>
Net cash used by operating activities	<u>(80,957)</u>
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	5,328,104
Interest and dividends on investments	327,403
Expenses on investments	(89,384)
Purchases of investments	<u>(5,255,291)</u>
Net cash provided by investing activities	<u>310,832</u>
Net Change in Cash and Cash Equivalents	229,875
Cash and Cash Equivalents, Beginning of Year	<u>1,912,084</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,141,959</u></u>
Changes in net assets	\$ 2,716,121
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
(Gain) loss on sale of investments	(250,551)
Unrealized (gain) loss on investments	(2,045,358)
Interest and dividends on investments	(238,017)
Changes in:	
Accounts receivable	355,332
Prepaid expense	15,583
Accounts payable	<u>(634,067)</u>
Net Cash Provided by Operating Activities	<u><u>\$ (80,957)</u></u>
Supplemental Disclosure of Noncash Amounts	
In-kind donations	<u><u>\$ 61,440</u></u>

Note 1 - Summary of Significant Accounting Policies

Organization

The Los Rios Colleges Foundation (the Foundation), a California nonprofit public benefit corporation, was formed for the purpose of raising and managing private philanthropic gifts from individuals and organizations that support the needs of students and faculty, improve student success and help to prepare an educated workforce by providing student scholarships, emergency financial grants to students and college program support. The Foundation is included as a component unit in the District's financial statements. The Foundation is supported primarily through public and private contributions and grants.

Financial Statement Presentation

These financial statements are presented on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and follows reporting standards promulgated by FASB.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2021, the amount in excess of Federal depository insurance coverage was approximately \$2,000,000.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Uncollectible accounts over the history of the Foundation have been considered immaterial and inconsistent. Therefore, no amounts have been included for an allowance for uncollectible amounts.

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. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are recorded in the appropriate classification of net assets. If the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized, the income is recorded as increases in the net assets without donor restrictions. Investments are classified as short or long term based upon the Foundation's intent to use for current operations.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 operational and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions. Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increase 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.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as without donor restrictions. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to without donor restriction support. The Foundation records special event revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements as they are non-specialized services.

Donated equipment, supplies and materials totaling \$61,440 were recorded for College Support.

Use of Estimates

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

Income Taxes

The Foundation is a corporation that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). The Foundation is required to file a Return of Organization Exempt from Income tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The Foundation determined that it is not subject to unrelated business income tax and, therefore, has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes the Foundation has appropriate support of any tax positions taken affecting its filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Foundation's Forms 990, and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examinations for years before 2017.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statement of functional expenses. Occupancy expenses are allocated based on an estimate of square footage usage at each College Office of Philanthropy. Personnel expenses are allocated on the basis of time and effort. Other expenses are directly attributable to a functional category with no significant allocations between program service activities and supporting services activities.

Note 2 - Promises to Give

Promises to give represent unconditional promises to give, which have been made by donors, but not received. Promises to give at June 30, 2021, were as follows:

Receivable in less than one year	\$ 404,472
Receivable in one to five years	<u>209,000</u>
Net promises to give receivable	<u><u>\$ 613,472</u></u>

One donor makes up approximately 50% of the pledge receivable balance noted above.

Note 3 - Investments

Investments are recorded at fair value on the statement of financial position. The following table summarizes the investment returns which are recorded in the statement of activities:

Realized loss on investments	\$	250,551
Unrealized gain on investments		2,045,358
Interest and dividends		<u>242,513</u>
 Total Investment Income, Net of Expenses	 \$	 <u><u>2,538,422</u></u>

Investment Policies

Return Objectives and Risk Parameters

The Foundation has a Finance Committee responsible for oversight of the Foundation's investments. The Board has adopted Rules, Objectives and Guidelines for the investment of funds that attempt to provide a predictable stream of funding to programs supported by its endowed funds while also maintaining the purchasing power of those assets over the long-term. Endowment assets are invested in cash and cash equivalents, equity and debt securities, that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual grantmaking of 3.75% while growing the funds, if possible. The Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 6.50% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board of the Foundation has adopted the following spending policy for endowed funds. The calculation for spending in the upcoming calendar year will be based on the fund value as of the September 30 balance. For all endowed funds less than 20 percent underwater, spending distributions for the following fiscal year are determined on an annual basis utilizing the endowed fund balances, and other pertinent information. In the event an endowment falls underwater by greater than 20 percent of the aggregate value of all contributions to an endowment fund at the time they were made, the Foundation will perform an analysis of the fund in order to make a determination on future spending distributions. Following the analysis of a fund, the Foundation will make a decision on future spending distributions relative to that fund. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 2% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Note 4 - 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 FASB ASC 820-10-50, 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 assets 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 mortgages, 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, retained residual interests in securitizations, residential Mortgage Servicing Rights (MSRs), asset-backed securities (ABS), highly-structured or long-term derivative contracts, and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The table below shows the Foundation's investments according to their hierarchical level as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 6,594,625	\$ -	\$ -	\$ 6,594,625
Equities	7,582,036	-	-	7,582,036
Alternative investments	869,827	-	-	869,827
Money market cash	1,501,242	-	-	1,501,242
FCCC endowment	-	-	224,098	224,098
Total	\$ 16,547,730	\$ -	\$ 224,098	\$ 16,771,828

Level 3 Investments

	Osher
Balance, beginning of year	\$ 185,536
Interest and dividends	3,914
Realized gains	11,390
Unrealized gains (losses)	34,329
Scholarship distributions	(10,400)
Management fees	(671)
Balance, end of year	\$ 224,098

The Foundation did not have any liabilities measured at fair value on a recurring basis nor any assets or liabilities recorded at fair value on a non-recurring basis.

Note 5 - Liquidity and Availability

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

Cash	\$ 2,141,959
Current promises to give	404,472
Accounts receivable	1,008
Investments	<u>3,785,633</u>
 Total	 <u><u>\$ 6,333,072</u></u>

As part of the Organization’s liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 6 - Net Assets

Non-endowed restricted net assets of \$10,210,760 are held for various scholarships and education programs as of June 30, 2021. Endowed restricted net assets, for which investment and interest earnings may be used for scholarship grants, consisted of the historical gift balance of the endowed funds in the amount of \$6,904,332 at June 30, 2021.

Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments	\$ -	\$ 6,904,332	\$ 6,904,332
Board designated quasi endowments	<u>1,402,179</u>	<u>-</u>	<u>1,402,179</u>
Sub Total Endowments	1,402,179	6,904,332	8,306,511
Non endowed donor funds	<u>1,003,518</u>	<u>10,210,760</u>	<u>11,214,278</u>
 Total	 <u><u>\$ 2,405,697</u></u>	 <u><u>\$ 17,115,092</u></u>	 <u><u>\$ 19,520,789</u></u>

The changes in endowment net assets as of June 30, 2021, are as follows:

<u>Endowed Net Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 1,147,335	\$ 6,307,226	\$ 7,454,561
Contributions	3,962	522,079	526,041
Investment earnings and realized gains	261,353	91,231	352,584
Amounts appropriated for expenditures	<u>(10,471)</u>	<u>(16,204)</u>	<u>(26,675)</u>
Endowment net assets - end of year	<u>\$ 1,402,179</u>	<u>\$ 6,904,332</u>	<u>\$ 8,306,511</u>

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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in as unavailable for use is classified as donor restricted net assets available for use until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation, and (7) the Foundation's investment policies.

Note 7 - Related Party Transactions

The Foundation receives and invests contributions for the development of endowed funds on behalf of the District. These funds, pending distribution, are administered and held according to the specific organization's direction and invested by the Foundation in an agent capacity, on behalf of the District, and the activities are included in the Foundation's statements of financial position and activities.

The Foundation receives the use of management, accounting, personnel and office space provided by the District. There are no salaries or other expenses recognized by the Foundation for these services. The Foundation incurs expenses related to college instructional support on behalf of the District which are included on the Foundation's statement of activities.

The Foundation's receipt of noncash donations related to instructional support are contributed to the District. During the year, the Foundation contributed \$61,440 of noncash donations to the District.

Note 8 - 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 February 1, 2022, which is the date the financial statements were available to be issued. The COVID-19 pandemic continued to impact the Foundation's operations in various ways. Campus closures had major impacts on giving for the Harris Center of the Arts and on-ground programs like athletics. However, donors responded to students' needs and giving in areas like scholarships and the Student Emergency Fund was strong. While the Foundation cannot predict how the ongoing pandemic will impact the future, donors have continued to be generous and supportive and have adjusted to activities like online fundraising events and stewardship opportunities.