Financial Statements
June 30, 2022

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Los Rios Colleges Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, 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.

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 Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the 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 these 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 auditor's 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 the 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 the 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2022

Assets	
Current assets	
Cash	$ 1,708,732
Accounts receivable	120,100
Promises to give, current portion	298,107
Total current assets	2,126,939
Noncurrent assets	
Investments	17,265,109
Beneficial interest in assets held by the Foundation for California Community Colleges (FCCC)	186,114
Long-term promises to give	205,000
Total noncurrent assets	17,656,223
Total assets	$ 19,783,162
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	$ 40,662
Net Assets	
Without donor restrictions	2,300,618
With donor restrictions	17,441,882
Total net assets	19,742,500
Total liabilities and net assets	$ 19,783,162

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 345,945	$ 3,433,997	$ 3,779,942
In-kind contributions	745,563	17,925	763,488
Net assets released from restrictions	1,746,359	(1,746,359)	-
Total support and revenues	2,837,867	1,705,563	4,543,430
Expenses			
Scholarships	898,418	-	898,418
College support	1,432,883	-	1,432,883
Grants and sponsorships	36,020	-	36,020
Administrative	132,958	-	132,958
Fundraising	98,031	-	98,031
Total expenses	2,598,310	-	2,598,310
Total revenues in excess of expenses	239,557	1,705,563	1,945,120
Other Revenues (Expenses)			
Interest and dividends, net of fees	64,984	217,151	282,135
Realized gain on investments	78,829	376,394	455,223
Unrealized loss on investments	(488,449)	(1,934,332)	(2,422,781)
Change in the value of beneficial interest in assets held by the FCCC	-	(37,986)	(37,986)
Total other revenues (expenses)	(344,636)	(1,378,773)	(1,723,409)
Change in Net Assets	(105,079)	326,790	221,711
Net Assets, Beginning of Year	2,405,697	17,115,092	19,520,789
Net Assets, End of Year	$ 2,300,618	$ 17,441,882	$ 19,742,500

	Scholarships	College support	Grants and Sponsorships	Total Program Expenses	Administrative	Fundraising	Total Expenses
Scholarships	$ 898,418	$ -	$ -	$ 898,418	$ -	$ -	$ 898,418
College support	-	669,395	-	669,395	-	-	669,395
In-kind donations		763,488		763,488	-	-	763,488
Grants and sponsorships			36,020	36,020	-	-	36,020
Supplies and materials	-	-		-	4,318	19,562	23,880
Services and office expenses	-	-	-	-	128,640	78,469	207,109
Total expenses	$ 898,418	$ 1,432,883	$ 36,020	$ 2,367,321	$ 132,958	$ 98,031	$ 2,598,310

Operating Activities	
Contributions for scholarships	$ 2,956,627
Pledge campaign	249,538
Annual fund	135,403
Other receipts	516,002
Interest and dividends on investments, net of expenses	277,640
Scholarships awarded	(904,433)
Payments to suppliers	(931,271)
Payments for services	(39,117)
Payments for travel, conferences and meetings	(8,677)
Net cash provided by operating activities	2,251,712
Investing Activities	
Proceeds from sales and maturities of investments	5,430,728
Purchases of investments	(8,115,667)
Net cash used in investing activities	(2,684,939)
Net Change in Cash	(433,227)
Cash, Beginning of Year	2,141,959
Cash, End of Year	$ 1,708,732
Changes in net assets	$ 221,711
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Realized gain on sale of investments	(455,223)
Unrealized loss on investments	2,422,781
Change in the value of beneficial interest in assets held by the FCCC	37,986
Changes in:	
Accounts receivable	(120,123)
Promises to give	111,396
Accounts payable	33,184
Net Cash Provided by Operating Activities	$ 2,251,712

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

Cash for the purposes of the statement of cash flows consists of cash held in checking accounts. The Foundation maintains cash balances in financial institutions which are insured up to $250,000. At June 30, 2022, the amount in excess of Federal depository insurance coverage was approximately $1.6 million.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is 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 board designated endowments.

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 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.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, other assets, unconditional promises 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.

In-kind Contributions

In-kind are recorded at the respective fair values of the goods or services received. Although volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation does not generally sell donated gifts-in-kind, except for real estate.

During the year ended June 30, 2022, the Foundation also received donated assets from various donors in the amount of $763,488, which the Foundation passed through to the District for use in its programs.

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, and those estimates could be material.

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.

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. Expenses are directly attributable to a functional category with no significant allocations between program service activities and supporting services activities.

Change in Accounting Principle

As of July 1, 2021, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

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 5, 2022, which is the date the financial statements were available to be issued.

Note 2 - 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 gain on investments	$ 455,223
Unrealized loss on investments	(2,422,781)
Interest and dividends	376,584
Total investment income	(1,590,974)
Investment expenses	(94,449)
Total investment income, net of expenses	$ (1,685,423)

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% 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% 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 3 - 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, 2022:

	Level 1	Level 2	Level 3	Total
Fixed income	$ 4,905,255	$ -	$ -	$ 4,905,255
Equities	7,807,480	-	-	7,807,480
Alternative investments	1,681,474	-	-	1,681,474
Money market funds	2,870,900	-	-	2,870,900
Beneficial interest in assets held by the FCCC	-	-	186,114	186,114
Total	$ 17,265,109	$ -	$ 186,114	$ 17,451,223

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 4 - 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	$ 1,708,732
Accounts receivable	120,100
Promises to give, current portion	298,107
Investments	9,341
Total	$ 2,136,280

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 5 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges- Osher Endowment Scholarship

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California community college students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the Foundation and its donors have contributed $171,123. As of June 30, 2022, the ending balance of the Osher Endowment Scholarship was $186,114. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 6 - Net Assets and Endowments

Non-endowed restricted net assets of $10,380,377 are held for various scholarships and education programs as of June 30, 2022. 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 $7,061,505 at June 30, 2022. Additionally, the Board has designated $1,233,989 in net assets without donor restrictions as an operating reserve.

Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowments	$ -	$ 7,061,505	$ 7,061,505
Board designated quasi-endowments	1,233,989	-	1,233,989
Subtotal endowments	1,233,989	7,061,505	8,295,494
Non-endowed donor funds	1,066,629	10,380,377	11,447,006
Total	$ 2,300,618	$ 17,441,882	$ 19,742,500

The changes in endowment net assets as of June 30, 2022, are as follows:

Endowed Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	$ 1,402,179	$ 6,904,332	$ 8,306,511
Contributions	-	219,180	219,180
Investment earnings and realized gains	(154,294)	(52,168)	(206,462)
Amounts appropriated for expenditures	(13,896)	(9,839)	(23,735)
Endowment net assets - end of year	$ 1,233,989	$ 7,061,505	$ 8,295,494

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 $763,488 of noncash donations to the District.