

DIABLO VALLEY COLLEGE FOUNDATION

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2015 and 2014**

DIABLO VALLEY COLLEGE FOUNDATION

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Diablo Valley College Foundation
Pleasant Hill, California

Report on the Financial Statements

We have audited the accompanying financial statements of Diablo Valley College Foundation (the "Foundation") as of June 30, 2015 and 2014 which collectively comprise the statements of financial position and related statements of activities, functional expense and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion as of June 30, 2014 and the twelve months then ended and an adverse audit opinion as of June 30, 2015 and the twelve months then ended.

Basis for Adverse Opinion

Beginning net assets as of July 1, 2015 is materially lower than the prior year ending balance audited at June 30, 2014.

Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the consolidated financial statements referred to above do not present fairly the financial position of the Foundation's as of June 30, 2015, or the results of their operations or their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required

In accordance with auditing standards generally accepted in the United States of America, we have also issued our report dated January 8, 2016 on our consideration of the Foundation's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the Foundation's internal control over financial reporting.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, CA
January 8, 2016

BASIC FINANCIAL STATEMENTS

DIABLO VALLEY COLLEGE FOUNDATION

STATEMENT OF NET ASSETS

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 673,552	\$ 545,450
Prepaid expenses	3,034	6,870
Total Assets	<u>676,586</u>	<u>552,320</u>
Non-Current Assets:		
Long-term investments	<u>6,360,036</u>	<u>3,868,073</u>
Total Assets	<u>7,036,622</u>	<u>4,420,393</u>
LIABILITIES		
Accounts payable	375	6,410
Unearned revenue	<u>195,734</u>	<u>197,500</u>
Total Liabilities	<u>196,109</u>	<u>203,910</u>
NET ASSETS		
Unrestricted	1,039,677	658,430
Temporarily restricted	1,825,227	1,976,497
Permanently restricted	<u>3,975,608</u>	<u>1,581,556</u>
Total Net Assets	<u>\$ 6,840,513</u>	<u>\$ 4,216,483</u>

DIABLO VALLEY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Donations	\$ 80,732	\$323,481.94	\$ 2,802,834	\$ 3,207,048
College in-kind support	51,431	-	-	51,431
Other in-kind donations	0	-	-	0
Fundraising income	25,616	-	-	25,616
Event income, net of expenses	214,787	-	-	214,787
Investment income	153,227	-	-	153,227
Unrealized gains	230,859	-	-	230,859
Satisfaction of program restrictions	553,369	(553,369)	-	-
Total revenues	<u>1,310,020</u>	<u>(229,887)</u>	<u>2,802,834</u>	<u>3,882,968</u>
EXPENSES				
Program services	644,083	-	-	644,083
Management and general	95,853	-	-	95,853
Fundraising	185,971	-	-	185,971
Total expenses	<u>925,906</u>	<u>-</u>	<u>-</u>	<u>925,906</u>
CHANGE IN NET ASSETS	384,114	(229,887)	2,802,834	2,957,062
NET ASSETS, BEGINNING	655,563	2,055,114	1,172,774	3,883,451
NET ASSETS, ENDING	<u>\$ 1,039,677</u>	<u>\$ 1,825,227</u>	<u>\$ 3,975,608</u>	<u>\$ 6,840,513</u>

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

DIABLO VALLEY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES				
Donations	\$ 112,224	\$ 464,222	\$ 411,672	\$ 988,117
College in-kind support	113,300	-	-	113,300
Other in-kind donations	1,778	-	-	1,778
Fundraising income	32,118	-	-	32,118
Event income, net of expenses	106,444	-	-	106,444
Investment income	258,806	-	-	258,806
Unrealized gains	226,167	-	-	226,167
Satisfaction of program restrictions	424,328	(421,438)	(2,890)	-
Total revenues	<u>1,275,165</u>	<u>42,783</u>	<u>408,782</u>	<u>1,726,730</u>
EXPENSES				
Program services	802,419	-	-	802,419
Management and general	252,396	-	-	252,396
Fundraising	75,840	-	-	75,840
Total expenses	<u>1,130,655</u>	<u>-</u>	<u>-</u>	<u>1,130,655</u>
CHANGE IN NET ASSETS	144,510	42,783	408,782	596,075
NET ASSETS, BEGINNING	<u>513,920</u>	<u>1,933,714</u>	<u>1,172,774</u>	<u>3,620,408</u>
NET ASSETS, ENDING	<u>\$ 658,430</u>	<u>\$ 1,976,497</u>	<u>\$ 1,581,556</u>	<u>\$ 4,216,483</u>

ABLO VALLEY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Staff salary and benefits- Foundation staffing	\$ -	\$ -	\$ -	\$ -
Staff salary and benefits -in kind	-	-	-	-
Facilities rental	-	-	-	-
Office / Other supplies	40,883	1,576	27,647	70,106
Postage	93	-	200	293
Telecommunications services	580	659	-	1,239
Travel / conference	10,312	963	1,274	12,549
Membership	1,302	1,026	4,726	7,054
Design and printing	-	-	-	-
Contract services	17,426	7,479	97,426	122,331
Insurance	361	3,030	216	3,607
Investment management and bank fees	-	52,986	-	52,986
Other expenses	57,190	15,219	24,985	97,394
Meetings	15,924	729	3,712	20,365
Donor recognition / awards	25,716	10,286	15,429	51,431
Community relations	4,517	194	5,105	9,816
Scholarships	327,012	-	-	327,012
Campus awards	9,239	1,277	4,739	15,254
College programs reimbursement	130,231	-	83	130,314
Political contributions	-	-	-	-
Equipment- maintenance	3,297	429	429	4,155
Total	<u>644,083</u>	<u>95,853</u>	<u>185,971</u>	<u>925,906</u>
Expenses included in revenue and support	-	-	-	-
Total expenses	<u>\$ 644,083</u>	<u>\$ 95,853</u>	<u>\$ 185,971</u>	<u>\$ 925,906</u>

DIABLO VALLEY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Staff salary and benefits- Foundation staffing	\$ 54,194	77,351	51,554	\$ 183,099
Staff salary and benefits -in kind	69,047	44,253	1,778	115,078
Facilities rental	3,407	-	-	3,407
Office / Other supplies	32,027	2,840	637	35,504
Postage	1,000	-	1,603	2,603
Telecommunications services	95	1,111	-	1,206
Travel / conference	3,822	-	-	3,822
Membership	6,711	1,331	1,559	9,601
Design and printing	999	463	1,937	3,399
Contract services	45,899	22,321	8,112	76,332
Insurance	-	1,233	-	1,233
Investment management and bank fees	-	48,164	-	48,164
Other expenses	40,067	-	-	40,067
Meetings	17,949	1,485	2,998	22,432
Donor recognition / awards	8,405	266	-	8,671
Community relations	16,617	1,309	5,167	23,093
Scholarships	359,139	-	-	359,139
Campus awards	3,345	-	-	3,345
College programs reimbursement	132,028	-	495	132,523
Political contributions	-	50,000	-	50,000
Equipment- maintenance	7,668	269	-	7,937
Total	<u>802,419</u>	<u>252,396</u>	<u>75,840</u>	<u>1,130,655</u>
Expenses included in revenue and support	-	-	100,759	100,759
Total expenses	<u>\$ 802,419</u>	<u>\$ 252,396</u>	<u>\$ 176,599</u>	<u>\$ 1,231,414</u>

DIABLO VALLEY COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,957,062	596,075
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Net realized/unrealized loss on investments	(230,859)	(449,412)
Change in operating assets and liabilities:		
Decrease in:		
Prepaid expenses	3,836	33,394
(Decrease) increase in:		
Accounts payable	(4,269)	(8,592)
Unearned revenue	(1,766)	10,725
Net cash provided by operating activities	<u>2,724,004</u>	<u>182,190</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	(103,939)	718,292
Proceeds from maturities of investments	-	93,998
Purchases of investments	(2,491,963)	(755,744)
Net cash provided by (used in) investing activities	<u>(2,595,902)</u>	<u>56,546</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIV.	128,102	238,736
CASH AND CASH EQUIVALENTS, BEGINNING	<u>545,450</u>	<u>306,714</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 673,552</u>	<u>545,450</u>

DIABLO VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Diablo Valley College Foundation (the “Organization”) is a nonprofit corporation dedicated to providing assistance to the students, teachers, and programs of Diablo Valley College (the “College”). Revenues are derived principally through the Organization’s fundraising programs and contributions from individuals, corporations, and service organizations.

B. SUPPORT AND EXPENSES

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Organization reports gifts of cash or other assets in the category designated by the donor. The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Equipment received by the Organization that is donated for the use of Diablo Valley College is passed through to the Contra Costa Community College District (the “District”). Absent explicit donor stipulation about where the contributions are to be spent, the Organization reports these contributions as unrestricted.

C. FINANCIAL STATEMENT PRESENTATION

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

D. 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 reported as increases in unrestricted 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.

E. PROPERTY AND EQUIPMENT

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments exceeding \$1,000 that materially prolongs the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over 3 to 7 year periods depending on the type of asset. All property and equipment was fully depreciated as of June 30, 2015 and 2014.

DIABLO VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

F. ALLOWANCE FOR BAD DEBTS

The Organization computes the allowance for doubtful accounts based on actual uncollectible accounts receivable. Uncollectible accounts over the history of the Organization have been considered immaterial. Therefore, no amounts have been included for an allowance for doubtful accounts.

G. 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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. DONATED SERVICES, GOODS AND FACILITIES

A substantial number of volunteers have donated their time and experience to the Organization's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

The Organization supports and improves community interaction with the Diablo Valley College. In its capacity as community liaison, the Organization procures public support from the District, which is not recorded in the Organization's accounting records. Materials and other assets received as donations are recorded and reflected in the financial statements at their fair values on the date of receipt.

During the year, office space was provided by the College and a portion of the management and administrative services were provided by the College employees on behalf of the Organization. The donated services for office space as of June 30, 2015 and 2014 were \$12,045 and \$3,407 respectively. The donated management services as of June 30, 2015 and 2014 were \$90,818 and \$115,078 respectively.

I. CASH AND EQUIVALENTS

Cash and cash equivalents consist of cash held in checking, savings and money market accounts. The Organization maintains cash balances in banks which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2015 and 2014, there were \$73,747 and \$9,402 respectively held in uninsured cash accounts. The Organization also maintains cash balances in banks which are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 (including \$250,000 for claims for cash). As of June 30, 2015 and 2014, there were no uninsured money market accounts.

DIABLO VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

J. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990T) for 2015, 2014, 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

K. ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

L. RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

2. INVESTMENTS

The Organization 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, as defined by ASC 820-10-50, used to measure fair value:

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

DIABLO VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

2. INVESTMENTS (Continued)

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 securities, corporate debt securities, derivative contracts, residential mortgage, and loans held-for-sale.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and 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 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.

A. ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS

As of June 30, 2015 and 2014 the fair value of investments is \$5,958,250 and \$3,868,073, respectively all amounts are held in mutual funds valued by Level 1 inputs. The Organization did not have any liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Investment income and unrealized gains for the year ended June 30, was as follows:

	<u>2015</u>	<u>2014</u>
Interest income	\$ 103	\$ 154
Dividend income	153,124	35,407
Net realized/unrealized gain	<u>230,859</u>	<u>449,412</u>
Total investment income and unrealized gains	<u>\$ 384,086</u>	<u>\$484,973</u>

DIABLO VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

B. INVESTMENT POLICIES

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Russell Index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately three percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization follows donor guidance in appropriating endowed amounts available for distribution each year, and therefore, has not enacted a board directed spending policy.

3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, were as follows:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Equipment	\$ 2,323	\$ 2,323
Less: accumulated depreciation	(2,323)	(2,323)
	<u>\$ -</u>	<u>\$ -</u>

4. UNEARNED REVENUE

At June 30, 2015 and 2014, unearned revenue of \$195,734 and \$197,000 respectively consisted of amounts received in advance for the golf tournament to be held in July 2015.

DIABLO VALLEY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

5. ENDOWMENT

The Organization's endowment consists of twenty-six individual funds established for the purpose of providing scholarships to students attending Diablo Valley College. Its endowment includes donor-restricted endowments funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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

6. SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the statement of financial position date of June 30, 2015 through January 8, 2016 which is the date the financial statements were available to be issued.