

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)

Financial Statements

Visalia, CA

June 30, 2018



COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
FOUNDATION BOARD
JUNE 30, 2018

Foundation Board

<i>Member</i>	<i>Office</i>
Stephanie Amaral	President
Tom Giampietro	Vice President
Tim Dodson	Secretary
Marla Borges	Treasurer
Mary Johnston	Board
Josh McDonnell	Board
Richard Nunes	Board
BJ Perch	Board
Mariann Hedstrom	Board
Gerald Schneider	Board
JoeAnna Todd	Board

Administration

Stan Carrizosa	College President
Tim Foster	Foundation Director

Trustee Representative

Ken Nunes	Trustee Representative
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Financial Section



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INDEPENDENT AUDITORS' REPORT

Board of Directors
College of the Sequoias Foundation
Visalia, California

We have audited the accompanying financial statements of College of the Sequoias Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of College of the Sequoias Foundation as of June 30, 2018, 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.

CWDL, Certified Public Accountants

San Diego, California
January 10, 2019

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	<u>2018</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 267,704
Investments	<u>10,025,919</u>
TOTAL CURRENT ASSETS	<u>10,293,623</u>
Non-depreciable assets	<u>329,478</u>
TOTAL ASSETS	<u>\$ 10,623,101</u>
LIABILITIES	
TOTAL LIABILITIES	<u>\$ -</u>
NET ASSETS	
Unrestricted	8,216,511
Temporarily restricted	505,126
Permanently restricted	<u>1,901,464</u>
TOTAL NET ASSETS	<u>10,623,101</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,623,101</u>

The notes to financial statements are an integral part of this statement.

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF ACTIVITIES
JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Contributions:				
General contributions	\$ 350,481	\$ -	\$ 111,855	\$ 462,336
Endowed scholarships	-	90,562	-	90,562
Outside scholarships	-	171,600	-	171,600
Inside scholarships	-	240,272	-	240,272
Revenues:				
Investment income (interest, dividends, and realized gains)	250,399	-	-	250,399
Fundraisers	138,339	-	-	138,339
Program Fees	361,387	-	-	361,387
Unrealized gain/(loss) on value of investments	355,846	-	-	355,846
Net assets released from restrictions	464,554	(464,554)	-	-
TOTAL SUPPORT AND REVENUE	\$ 1,921,006	\$ 37,881	\$ 111,855	\$ 2,070,741
EXPENSES:				
Scholarships:				
Endowed scholarships	\$ 90,950	\$ -	\$ -	\$ 90,950
Outside scholarships	154,950	-	-	154,950
Inside scholarships	217,653	-	-	217,653
College enhancement	798,328	-	-	798,328
General administrative	349,408	-	-	349,408
TOTAL EXPENSES	1,611,289	-	-	1,611,289
CHANGE IN NET ASSETS	309,716	37,881	111,855	459,452
NET ASSETS, BEGINNING OF YEAR	7,906,795	467,245	1,789,609	10,163,649
NET ASSETS, END OF YEAR	\$ 8,216,511	\$ 505,126	\$ 1,901,464	\$ 10,623,101

The notes to financial statements are an integral part of this statement.

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF CASH FLOWS
JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>\$ 459,452</u>
Net cash provided by operating activities:	<u>459,452</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided by (used in) investing	<u>(779,915)</u>
Net cash provided by investing activities	<u>(779,915)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(320,463)
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Cash and cash equivalents - beginning	<u>588,167</u>
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Cash and cash equivalents - ending	<u>\$ 267,704</u>
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The notes to financial statements are an integral part of this statement.

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

	Programs		Total	Support	Total	
	College		Program	General	Support	Total
Expenses	Scholarships	Enhancement	Services	Administrative	Services	Expenses
Scholarships	\$ 463,554	\$ -	\$ 463,554	\$ -	\$ -	\$ 463,554
College enhancement	-	798,328	798,328	-	-	798,328
General administrative	-	-	-	349,408	349,408	349,408
Total Expenses	\$ 463,554	\$ 798,328	\$ 1,261,881	\$ 349,408	\$ 349,408	\$ 1,611,289

The notes to financial statements are an integral part of this statement.

**COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND DESCRIPTION OF ACTIVITIES

The College of the Sequoias Foundation is a California nonprofit organization for the benefit of College of the Sequoias. The Foundation was organized for the purpose of providing Financial Aid to students in need. The Foundation provides opportunities for members of the community to donate property and money for the express purpose, through grants and scholarships, of helping deserving students receive a quality education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method - Basis of Accounting

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements as well as the timing of the measurement made, regardless of the measurement focus applied. The Foundation uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized in the beginning of the accounting period in which the liability is incurred.

Income Taxes

The Foundation is exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Foundation annually files Forms 990, 199 and RRF-1 with the appropriate agencies.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) ASC 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The College of the Sequoias Foundation and the College of the Sequoias Community College District are financial interrelated organizations as defined by Transfers of Assets to a Nonprofit or Charitable Trust That Holds Contributions for Others. The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions

The Foundation records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investments

The Foundation records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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 expenditures/expenses during the reported period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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.

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Scholarship - Scholarships are provided to the students of the College of the Sequoias Community College District thorough the fundraising efforts of the COS Foundation.

College Enhancement - College of the Sequoias Foundation is to cultivate and solicit support for programs, facilities, equipment, faculty and students of the College of the Sequoias Community College District.

General Administrative - College of the Sequoias Foundation is managed by an executive director to ensure an adequate working environment; cultivate and solicit support to include receipt of gifts, property, and funds to be used for the benefit of the College of the Sequoias Community College District.

Fundraising - Provides the structure necessary to encourage and secure financial support from the community, individuals, foundations, and corporations in order to supply supplemental resources for the entire College of the Sequoias Community College District.

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH

Deposits

As of June 30, 2018, cash balances of \$277,628 were held with Charles Schwab and \$267,704 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the Foundation.

NOTE 4 – INVESTMENTS

Authorized Investments

The Foundation is authorized to make direct investments in U.S. Treasury Bills; money market funds; State Treasurer's Investment Pool; commercial paper; banker's acceptances; repurchase agreements; certificates of deposit; securities of the U.S. Government, or its agencies; corporate notes and bonds; mortgage backed bonds; preferred stock; fixed income securities of foreign governments and corporations; collateralized mortgage obligations; common stock; convertible notes and bonds; convertible preferred stock; American Depository Receipts (ARDs) of non-U.S. companies; stocks of non-U.S. Companies (ordinary shares); mutual funds which invest in securities; guaranteed investment contracts; and real estate.

Investment activity for the years ended June 30, 2018:

	<u>Total</u>
Unrealized gain on investment	\$ 355,846
Realized gains	-
Interest and dividends	<u>250,399</u>
Total investments income	<u>\$ 606,245</u>

Investment Policies

Return Objectives and Risk Parameters - The Foundation 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. In order to meet its needs, the investment strategy of the College of the Sequoias Foundation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested to meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately four 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 Foundation 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 Foundation 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.

COLLEGE OF THE SEQUIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

NOTE 4 – INVESTMENTS, continued

Spending Policy and How the Investment Objectives Relate to Spending Policy -The Foundation may distribute up to 75 percent of accrued interest annually from scholarship endowments for intended scholarship awards. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the need to maintain some investment income in reserve to plan for the potential of scholarship awards exceeding investment income.

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 Statement of Financial Accounting Standards, *Fair Value Measurements*, 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 can access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the counter markets.

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

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, 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.

COLLEGE OF THE SEQUIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

NOTE 4 – INVESTMENTS, continued

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2018. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2018.

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,867,742	\$ -	\$ -	\$ 5,867,742
Stocks	4,158,177	-	-	4,158,177
Total	<u>\$ 10,025,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,025,919</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis for the years ending June 30, 2018 and 2017.

NOTE 5 – FIXED ASSETS

Fixed assets at June 30, 2018, consisted of the following relating to capital improvements made by the Foundation:

Capital Assets Not being Depreciated	Total
Baseball diamond	\$ 36,096
Softball project	293,382
Total	<u>\$ 329,478</u>

NOTE 6 – NET ASSETS

At June 30, 2018, unrestricted net assets consist of the following:

Unrestricted	Total
Unrestricted	<u>\$ 8,216,511</u>

Temporarily restricted net assets are available for the following purposes:

Temporarily restricted	Total
Scholarships	<u>\$ 505,126</u>

Permanently Restricted Net Assets

Permanently restricted endowment net assets, for which investment and interest earnings may be used for scholarships consist of the historical gift balance of the endowed funds in the amount of \$1,901,464 at June 30, 2018.

Net Asset components were adjusted during the current year after a new chart of accounts was created for the Foundation. Total Net Assets was not affected.

COLLEGE OF THE SEQUOIAS FOUNDATION
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

NOTE 7 – DONATED SERVICES

The Foundation receives donated services from the College for the general administration of the Foundation. For the years ended June 30, 2018, the value of the services received from the College was \$305,571 and has been recorded on the financial statements.

NOTE 8 – IN-KIND DONATIONS

The Foundation receives in-kind donations to be used or sold as they see fit. The Board's policy is to hold the items until such time as they can be sold, and the money placed in the appropriate fund or donate them to the College of the Sequoias. The value of the donated items held for sale at June 30, 2018, is immaterial to the financial statements, and as such, it is not shown.

NOTE 9 – 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 January 10, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.