

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Academic Senate for California Community Colleges
Sacramento, California

We have audited the accompanying consolidated financial statements of the Academic Senate for California Community Colleges and the Foundation of the Academic Senate for California Community Colleges (collectively the "Organization"), nonprofit organizations, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Academic Senate for California Community Colleges and the Foundation of the Academic Senate for California Community Colleges as of June 30, 2019, and the changes in its consolidated net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Proff Britton Senigaglia LLP

October 22, 2019
Roseville, California

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets:		
Cash and cash equivalents	\$	979,845
Accounts receivable		627,335
Prepaid expenses		<u>108,130</u>
Total current assets		1,715,310
Property and equipment, net		<u>-</u>
Total assets	\$	<u><u>1,715,310</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$	195,379
Accrued expenses		49,521
Deferred revenue		<u>295,531</u>
Total liabilities		<u>540,431</u>
Net assets:		
Without donor restrictions:		
Unrestricted		870,679
Designated for reserves		300,000
With donor restrictions		<u>4,200</u>
Total net assets		<u>1,174,879</u>
Total liabilities and net assets	\$	<u><u>1,715,310</u></u>

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

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
College dues	\$ 425,418	\$ -	\$ 425,418
College event fees	753,124	-	753,124
Event sponsorships	25,000	-	25,000
State of California Academic Senate grant	1,000,000	-	1,000,000
Chancellor's Office Course ID grant	470,215	-	470,215
Guided Pathways contract	664,054	-	664,054
LACCD contract	239,876	-	239,876
Other grants and contracts	390,529	-	390,529
Foundation contributions	19,890	-	19,890
Interest income	2,111	-	2,111
Other income	15,712	-	15,712
Net assets released from restrictions	-	-	-
	<u>4,005,929</u>	<u>-</u>	<u>4,005,929</u>
Total revenues and other support			
Expenses:			
Program services	2,223,045	-	2,223,045
Supporting services:			
Management and general	993,604	-	993,604
	<u>3,216,649</u>	<u>-</u>	<u>3,216,649</u>
Total expenses			
Change in net assets	789,280	-	789,280
Net assets, beginning of year	<u>381,399</u>	<u>4,200</u>	<u>385,599</u>
Net assets, end of year	<u>\$ 1,170,679</u>	<u>\$ 4,200</u>	<u>\$ 1,174,879</u>

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

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Grant and Senate	Management and General	Totals
Administrative support	\$ 10	\$ 9	\$ 19
Business expenses	982	67,172	68,154
Copying/publishing OSP allowance	-	5,869	5,869
Equipment lease/rental	5,135	7,367	12,502
Equipment purchase	1,946	1,845	3,791
Executive activities	146,162	94,306	240,468
Executive reassign time	133,148	133,148	266,296
Furnishings	4,854	4,697	9,551
Grant expenses	598,499	-	598,499
Institutes	560,212	33,781	593,993
Insurance	3,145	4,437	7,582
Internet	1,221	1,762	2,983
IT/Software	6,014	7,941	13,955
Liaison	48,245	37,706	85,951
Moving expense	-	6,799	6,799
Outside administrative services	6,553	9,844	16,397
Parking	4,231	5,939	10,170
Phones - office	899	1,305	2,204
Plenary session	258,209	42,307	300,516
Postage and shipping	150	227	377
Professional services	13,888	22,923	36,811
Publications, marketing, technology	6,354	41,879	48,233
Rent	25,512	38,253	63,765
Salaries and benefits	375,012	418,214	793,226
Scholarships and donations	18,683	-	18,683
Subscriptions	2,594	3,927	6,521
Supplies	1,387	1,947	3,334
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 2,223,045</u>	<u>\$ 993,604</u>	<u>\$ 3,216,649</u>

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

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 789,280
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(287,810)
Prepaid expenses	(12,563)
Accounts payable	13,715
Grant payable	(479,664)
Accrued expenses	(76,414)
Deferred revenue	3,242
Deferred lease incentive	(8,603)
	<hr/>
Net cash used in operating activities	(58,817)
	<hr/>
Net change in cash and cash equivalents	(58,817)
Cash and cash equivalents, beginning of year	<hr/> 1,038,662
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 979,845

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

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: NATURE OF ACTIVITIES

The Academic Senate for California Community Colleges (the "Academic Senate") is a California non-profit corporation established on October 2, 1970, whose purpose is to promote the best interests of higher education in the State of California and to represent the faculty in all California community colleges at the state level.

The general purpose and powers are:

- To strengthen local academic senates and councils of community colleges;
- To serve as the voice of the faculty of the community colleges in matters of statewide concern;
- To develop policies and promote the implementation of policies on matters of statewide issues; and
- To make recommendations on statewide matters affecting the community colleges.

On August 11, 2008, the Academic Senate formed the Foundation of the Academic Senate for California Community Colleges (the "Foundation"), a California charitable corporation controlled by the Academic Senate, whose purposes are:

- To benefit, support and enhance the excellence of California community colleges;
- To support, design and implement professional development for California community college faculty;
- To research, develop and communicate effective practices to promote effective teaching and learning in the California community colleges; and
- To promote a variety of activities and strategies to advance teaching and learning.

These financial statements of the Academic Senate and the Foundation are presented on a consolidated basis, with all significant inter-company transactions eliminated. The Academic Senate and the Foundation are collectively referred to as the Organization.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Organization has adopted the provision as of June 30, 2019.

The Organization presents its consolidated financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to stipulations.

Net assets with donor restrictions - Net assets that are subject to stipulations that will be met by actions or the passage of time.

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as changes in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in checking and money market accounts.

FDIC Insured Deposit Accounts

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. As of June 30, 2019, \$619,446 was held in excess of FDIC insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash balances.

Accounts Receivable

Accounts receivable, which consist primarily of grants receivable, are stated at the amount management expects to collect from outstanding balances. Management believes that all of the receivables are collectable; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms. Receivables for events are written-off after 90 days. Grants receivable are written-off on a case by case basis after management has exhausted all collection efforts.

Property and Equipment

Property and equipment purchased in excess of \$5,000 are stated at cost. The Organization provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated lives of these assets range from 3 to 5 years. Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Tax Status

The Academic Senate is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC) and Section 23701e of the California Revenue and Taxation Code. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the California Revenue and Taxation Code. After they are filed, the Organization's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns. Activities unrelated to the Organization's mission may be subject to unrelated business income tax.

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Costs specifically identified with programs are directly allocated to those functions. All costs not identifiable with programs, but indispensable to the conduct of such programs and activities and to the Organization's existence, are included as management and general expenses. Expenses that benefit more than one function of the Organization are allocated among the functions based generally on the amount of time and effort spent by personnel on each function.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard will supersede much of the existing authoritative literature for leases. Under ASU 2016-02, a lessee will be required to recognize right-to-use assets and liabilities on their statement of financial position for all leases with lease terms of more than twelve months. The amendments in the update are effective for annual reporting periods beginning after December 15, 2019. Early application is permitted. The Organization is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through October 22, 2019, the date that the consolidated financial statements were available to be issued.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 979,845
Accounts receivable	<u>627,335</u>
Financial assets	1,607,180
Less those unavailable for general expenditures within one year, due to:	
Purpose restrictions stipulated by donors	(4,200)
Board designated reserves	<u>(300,000)</u>
Financial assets available to meet cash need for expenditures within one year	<u><u>\$ 1,302,980</u></u>

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2019:

CA Community College Chancellor's Office	\$ 239,515
Chabot-Las Positas Community College District	235,528
Los Angeles Community College District	106,806
Other	<u>45,486</u>
Total accounts receivable	<u><u>\$ 627,335</u></u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Furniture and fixtures	\$ 5,989
Less accumulated depreciation	<u>(5,989)</u>
Total property and equipment, net	<u><u>\$ -</u></u>

NOTE 6: OPERATING LEASE OBLIGATION

The Organization leases office space effective November 2014 and expiring February 2020. On July 1, 2019, the Organization amended the office lease terms which extend the life of the lease by an additional 87 months. The lease amendment provides for three free rent periods and contains escalating payments. Accordingly, rent expense is recorded on a straight-line basis, and the difference between rent expense and rent paid is recorded as deferred lease incentive.

Future minimum lease payments under this agreement are as follows:

<u>Year Ending June 30:</u>	
2020	\$ 70,067
2021	95,175
2022	97,554
2023	99,993
2024	<u>102,493</u>
Thereafter	<u>239,822</u>
Total minimum lease payments	<u><u>\$ 705,104</u></u>

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, net assets with donor restrictions totaled \$4,200 for the freedom fighter award.

ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019

NOTE 8: EMPLOYEE BENEFIT PLAN

Qualified employees are eligible to participate in the California Public Employees' Retirement System (CalPERS). CalPERS is a cost sharing multiple employer defined benefit pension plan that provides retirement, disability and death benefits to Plan members and beneficiaries. The risks of participating in a multiple employer plan are different from single employer plans. Specifically, Academic Senate may be liable, on termination or withdrawal from the plan, for allocated shares of the plan's unfunded vested benefits. The Academic Senate currently has no intention to terminate or withdraw from the plan.

Because Academic Senate has less than 100 employees, it is required to participate in a risk pool within CalPERS. The Academic Senate's contributions represented less than 5% of total risk pool contributions per the risk pool's most recent actuarial report, which was as of June 30, 2018. As of June 30, 2018, Academic Senate's share of total plan assets was \$1,445,633, the accrued liability was \$1,804,755, and the plan was 80% funded.

The California Public Employees' Pension Reform Act (PEPRA) resulted in different contribution and benefit rates for employees hired prior to and after January 1, 2013. Employees contribute 7% or 6.25% of their annual covered salary, depending on hire date. Academic Senate contributes an amount that is actuarially determined by CalPERS. In addition, CalPERS adopted a risk mitigation policy which is designed to reduce funding risk over time and is expected to impact future valuations.

Total contributions to the plan by Academic Senate amounted to \$72,221 for the year ended June 30, 2019. The estimated required employer contributions for the year ended June 30, 2020, are \$96,468.

NOTE 9: RELATED PARTY TRANSACTIONS

A board member's college is provided reassignment time for their service to the Organization. The Organization makes payment to the college (or in some instances, the district) for the board member's time, paid at the part-time faculty rate, as determined by the Chancellor's Office Data Mart data. For the year ended June 30, 2019, the Organization provided stipends to various board members during the summer session for their work not included in the reassignment payment to the college, totaling \$52,000.

NOTE 10: CONCENTRATIONS AND CONTINGENCIES

A significant portion of the grant revenue is from the State of California, most of which is passed through various community college districts. Similarly, a significant portion of the accounts receivable are due from the State of California, either directly or through community college districts. Claims for reimbursement are subject to audit and possible disallowance by awarding agencies. All cash is held in one bank and thus exceeds federally insured limits.

NOTE 11: COMMITMENTS

The Academic Senate has hotel contracts for meetings to be held subsequent to year-end. These contracts contain deposits, room and food beverage commitments and cancellation fees. The cancellation fees under the contracts if the contracts were cancelled as of the date the consolidated financial statements were available to be issued totaled \$373,972.