



October 19, 2017

INDEPENDENT AUDITOR'S REPORT

To the Executive Committee
The Academic Senate for California Community Colleges

We have audited the accompanying consolidated financial statements of The Academic Senate for California Community Colleges (a nonprofit organization) and affiliate, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Academic Senate for California Community Colleges and affiliate as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited The Academic Senate for California Community Colleges 2016 consolidated financial statements, and in our report dated November 1, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

John Waddell + Co., CPAs

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

Consolidated Statement of Financial Position

June 30, 2017

(with comparative totals for 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 317,640	\$ 183,099
Accounts receivable	478,902	561,798
Prepaid expenses	43,328	66,440
Property and equipment, net of accumulated depreciation of \$7,826 and \$7,526 in 2017 and 2016	<u>-</u>	<u>300</u>
	<u><u>\$ 839,870</u></u>	<u><u>\$ 811,637</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 217,087	\$ 218,312
Accrued expenses	59,849	54,943
Deferred revenue	256,356	214,753
Deferred lease incentive	<u>12,099</u>	<u>14,245</u>
Total Liabilities	<u>545,391</u>	<u>502,253</u>
Net Assets		
Temporarily restricted	24,647	25,432
Designated for reserves	300,000	300,000
Unrestricted and undesignated	<u>(30,168)</u>	<u>(16,048)</u>
Total Net Assets	<u>294,479</u>	<u>309,384</u>
	<u><u>\$ 839,870</u></u>	<u><u>\$ 811,637</u></u>

See accompanying notes to consolidated financial statements.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

**Consolidated Statement of Activity
For the Year Ended June 30, 2017
(with comparative totals for 2016)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue				
College dues	\$ 360,356	\$ -	\$ 360,356	\$ 323,836
College event fees	594,565	-	594,565	822,274
Event sponsorships	17,500	-	17,500	-
State of California Academic Senate grant	768,000	-	768,000	468,000
Chancellor's Office Course ID	395,902	-	395,902	377,971
Vocation Ed/CTE Perkins Grant	-	-	-	251,625
Other grants and contracts	317,989	-	317,989	248,206
Foundation income	38,753	-	38,753	73,395
Investment income	136	-	136	50
Other income	46,923	-	46,923	11,238
Net assets released from restriction	785	(785)	-	-
Total Revenue	<u>2,540,909</u>	<u>(785)</u>	<u>2,540,124</u>	<u>2,576,595</u>
Expenses				
Program Services				
Academic Senate	1,136,240	-	1,136,240	1,101,937
Common Course ID	407,425	-	407,425	394,060
Perkins IV Title 1, Part B leadership	-	-	-	258,382
Online education, common assessment & education planning initiatives	98,975	-	98,975	153,391
Other programs	13,862	-	13,862	12,954
Total Program Services	<u>1,656,502</u>	<u>-</u>	<u>1,656,502</u>	<u>1,920,724</u>
Supporting Services				
Management and administration	835,143	-	835,143	807,067
Fundraising	63,384	-	63,384	20,667
Total Supporting Services	<u>898,527</u>	<u>-</u>	<u>898,527</u>	<u>827,734</u>
Total Expenses	<u>2,555,029</u>	<u>-</u>	<u>2,555,029</u>	<u>2,748,458</u>
Change in Net Assets	(14,120)	(785)	(14,905)	(171,863)
Net Assets, Beginning of Year	<u>283,952</u>	<u>25,432</u>	<u>309,384</u>	<u>481,247</u>
Net Assets, End of Year	<u>\$ 269,832</u>	<u>\$ 24,647</u>	<u>\$ 294,479</u>	<u>\$ 309,384</u>

See accompanying notes to consolidated financial statements.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2017
(with comparative totals for 2016)**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (14,905)	\$ (171,863)
Noncash Items included in change of net assets:		
Depreciation	300	1,197
Change in certain operating assets and liabilities:		
Accounts receivable	82,896	137,786
Prepaid expenses	23,112	(20,136)
Accounts payable	(1,225)	(175,570)
Accrued expenses	4,906	3,734
Deferred revenue	41,603	13,541
Deferred lease incentive	(2,146)	350
	<u>134,541</u>	<u>(210,961)</u>
Cash Provided (Used) by Operating Activities		
	134,541	(210,961)
Net Increase (Decrease) in Cash		
Cash and Cash Equivalents, Beginning of Year	<u>183,099</u>	<u>394,060</u>
Cash and Cash Equivalents, End of Year	<u>\$ 317,640</u>	<u>\$ 183,099</u>

See accompanying notes to consolidated financial statements.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

Notes to Consolidated Financial Statements June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Academic Senate for California Community Colleges (the Academic Senate) is a California non-profit corporation established 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:

- a. To strengthen local academic senates and councils of community colleges;
- b. To serve as the voice of the faculty of the community colleges in matters of statewide concern;
- c. To develop policies and promote the implementation of policies on matters of statewide issues; and
- d. 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 whose purposes are:

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

All significant inter-company transactions have been eliminated in these consolidated financial statements.

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

Notes to Consolidated Financial Statements June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Prior Period Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Academic Senate for California Community Colleges' consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable, which consist primarily of grants receivable, are stated at the amount management expects to collect from outstanding balances. Management believes all of the receivables are collectible; 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. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are temporarily restricted are then reclassified to unrestricted net assets upon satisfaction of the restrictions. Restricted contributions whose restrictions are met within the reporting period are recorded as unrestricted.

Income Taxes

The Academic Senate is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code and Section 23701(e) of the California Revenue and Taxation Code. The Foundation is exempt from income taxes under Section 501(c)(3) and Section 23701(d). The federal and state tax returns are generally subject to examination for three and four years, respectively, from the date they are filed.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

Notes to Consolidated Financial Statements June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The costs of providing 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 activities benefited.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was October 19, 2017.

NOTE 2 CONCENTRATIONS & 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.

NOTE 3 LEASE OBLIGATION

The Academic Senate leases office space effective November 2014 and expiring February 2020. The lease provides for a free rent period for a portion of the space and contains escalating payments. Accordingly, rent expense has been 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 lease are as follows:

2018	\$	64,041
2019		65,392
2020		<u>44,120</u>
	\$	<u>173,553</u>

Rent expense totaled \$64,593 for the year ended June 30, 2017.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

Notes to Consolidated Financial Statements

June 30, 2017

NOTE 4 RESTRICTIONS ON ASSETS

Net assets were released from restriction by incurring expenses satisfying the program restriction. Temporarily restricted net assets are restricted for the following purposes:

Freedom fighter award	\$	4,200
Law and public policy		<u>20,447</u>
	\$	<u>24,647</u>

NOTE 5 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, 2016. As of June 30, 2016, Academic Senate's share of total plan assets was \$1,068,884, the accrued liability was \$1,380,753, and the Plan was 77% 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 \$64,715 for the year ended June 30, 2017. The estimated required employer contributions for the year ended June 30, 2018, are \$72,125.

NOTE 6 RELATED PARTY TRANSACTIONS

The Academic Senate compensated two board members for their services during the year ended June 30, 2017, in the amount of \$32,000.

THE ACADEMIC SENATE FOR CALIFORNIA COMMUNITY COLLEGES

Notes to Consolidated Financial Statements

June 30, 2017

NOTE 7 COMMITMENTS

The Academic Senate has hotel contracts for meetings to be held in fiscal 2017 – 2018. These contracts contain deposits, room and food and beverage commitments, and cancellation fees. The cancellation fees under the contracts if the contracts were cancelled as of the date the financial statements were available to be issued totaled \$147,066.