

**DESERT COMMUNITY COLLEGE DISTRICT
AUXILIARY SERVICES
(A California Nonprofit Corporation)**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

**DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Desert Community College District Auxiliary Services
Palm Desert, California

Report on the Financial Statements

We have audited the accompanying financial statements of Desert Community College District Auxiliary Services (the Auxiliary) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses 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 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 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 the Auxiliary as of June 30, 2016, 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.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Auxiliary's basic financial statements. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maurice J. Fine, Day & Co. LLP

Riverside, California
April 25, 2017

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current Assets

Cash - unrestricted	\$ 1,476,520
Cash - restricted	101,002
Accounts receivable	<u>79,887</u>
Total Current Assets	<u>1,657,409</u>

Noncurrent Assets

Capital assets, net	<u>18,557</u>
Total Assets	<u><u>\$ 1,675,966</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 15,400
Accounts payable - related party	28,424
Deposit	<u>1,000</u>
Total Current Liabilities	<u>44,824</u>

NET ASSETS

Unrestricted	1,527,886
Temporarily restricted	83,256
Permanently restricted	<u>20,000</u>
Total Net Assets	<u>1,631,142</u>
Total Liabilities and Net Assets	<u><u>\$ 1,675,966</u></u>

See the accompanying notes to financial statements.

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Commission income	\$ 404,989	\$ -	\$ -	\$ 404,989
Golf driving range	311,821	-	-	311,821
Total Revenues	<u>716,810</u>	<u>-</u>	<u>-</u>	<u>716,810</u>
EXPENSES				
Program expenses	556,080	-	-	556,080
Operating expenses	56,002	-	-	56,002
Total Expenses	<u>612,082</u>	<u>-</u>	<u>-</u>	<u>612,082</u>
OTHER INCOME				
Interest	910	-	-	910
Total Other Income	<u>910</u>	<u>-</u>	<u>-</u>	<u>910</u>
TRANSFERS	(23)	23	-	-
CHANGE IN NET ASSETS	<u>105,638</u>	<u>-</u>	<u>-</u>	<u>105,638</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,422,271</u>	<u>83,233</u>	<u>20,000</u>	<u>1,525,504</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,527,886</u></u>	<u><u>\$ 83,256</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 1,631,142</u></u>

See the accompanying notes to financial statements.

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 105,638
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities	
Depreciation	5,789
Change in assets and liabilities	
Change in accounts receivable	(941)
Change in accounts receivable - related party	14,941
Change in accounts payable	(16,867)
Change in accounts payable - related party	(3,346)
Net Cash Flows From Operating Activities	<u>105,214</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Change in restricted cash	<u>2,231</u>
Net Cash Flows From Investing Activities	<u>2,231</u>

NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS

UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,369,075</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,476,520</u></u>

See the accompanying notes to financial statements.

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program</u>	<u>Operating</u>	<u>Total</u>
Golf driving range expenses	\$ 324,842	\$ -	\$ 324,842
Support for District programs	204,974	-	204,974
Textbooks for District library	26,264	-	26,264
Data processing expense	-	7,548	7,548
Office supplies and miscellaneous expenses	-	24,265	24,265
Payroll expenses	-	10,379	10,379
Professional fees	-	8,021	8,021
Depreciation - golf driving range	-	5,789	5,789
Total Expenses	<u>\$ 556,080</u>	<u>\$ 56,002</u>	<u>\$ 612,082</u>

See the accompanying notes to financial statements.

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES (A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Desert Community College District Auxiliary Services (the Auxiliary) are described below to enhance the usefulness of the financial statements to the reader.

Organization

Desert Community College District Auxiliary Services (the Auxiliary) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Law of the State of California. The Auxiliary was incorporated in the State of California in July 1985 pursuant to California Assembly Bill No. 2627, Chapter 858, *Community Colleges Auxiliary Organizations*, with the express purpose of promoting and assisting the educational programs of Desert Community College District (the District) in accordance with the mission, policies, and priorities of the District. The members of the Auxiliary's Board of Directors are composed of members from the District administration.

At June 30, 2016, the Board of Directors included:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lisa Howell	Chairperson	2016
Dr. Joel L. Kinnamon	Vice Chairperson	2016
John Ramont	Secretary/Treasurer	2016
Dr. Mary Anne Gularte	Member at Large	2016

Financial Statement Presentation

The Auxiliary prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the accounts maintained by and directly under the control of the Auxiliary.

The Auxiliary reports 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 Auxiliary is required to present a statement of cash flows. The Auxiliary does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Auxiliary and the District are financially interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Auxiliary 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.

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 Auxiliary reports gifts of cash or other assets in the category designated by the donor. The Auxiliary reports gifts of goods and equipment as unrestricted support 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 Auxiliary reports these contributions as unrestricted.

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debt expense and an adjustment to a valuation allowance. At June 30, 2016, management had reviewed all accounts receivable and determined all amounts were fully collectable. No allowance for doubtful accounts has been established.

Income Taxes

The Auxiliary is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Auxiliary 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)(A)(vi). The Auxiliary annually files information returns Forms 990, 199, and RRF-1, with the appropriate agencies. The Auxiliary annually files Forms 990T and 109 to report unrelated business activity. At June 30, 2016, these activities recorded a loss, and no unrelated business tax was paid or accrued.

The Auxiliary has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Income tax returns for 2012 and forward may be audited by Federal or State regulatory agencies; however, the Auxiliary is not aware of such actions at this time.

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. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 - CONCENTRATION OF RISK

Cash accounts maintained by the Auxiliary are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2016, the Auxiliary had \$1,165,571 of uninsured funds.

NOTE 3 - ACCOUNTS RECEIVABLE

As of June 30, 2016, the Auxiliary's account receivables consisted of amounts due within the normal course of business, and all are due within one year.

NOTE 4 - CAPITAL ASSETS

The Auxiliary's policy is to not capitalize acquired property and equipment except for golf driving range property and equipment. Capital assets acquired are donated by memorandum to the District, where they are recorded within the District's property and equipment. Golf driving range property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of five to fifteen years.

Equipment	\$ 56,688
Less: accumulated depreciation	<u>(38,131)</u>
Capital assets, net	<u><u>\$ 18,557</u></u>

Depreciation expense for the year ended June 30, 2016, was \$5,789.

NOTE 5 - DONATED SERVICES

A substantial number of volunteers have donated their time and experience to the Auxiliary'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.

During the year, office space, supplies, and general support was provided by the District. The value of the donated space and support has not been determined and is not recognized in the financial statements.

NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are gifts of cash and securities restricted by donors in ways that permit only the earnings to be used for specific programs, scholarships, and general operations of the Auxiliary. These earnings are recorded within either the temporarily restricted or the unrestricted funds as applicable.

Permanently restricted net assets totaled \$20,000 at June 30, 2016.

**DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are gifts of cash restricted by the donor for a specific use or for a time in the future. As restrictions on the net assets expire due to the passage of time or satisfaction of purpose, the assets are released to the unrestricted fund for expenditure. The Auxiliary reviewed previously received contributions and properly transferred amounts with restrictions to the temporarily restricted net assets.

Temporarily restricted net assets are comprised of the following:

	Beginning Balance	Transfers	Ending Balance
Scholarships	\$ 62,146	\$ -	\$ 62,146
Program support	21,087	23	21,110
Total	<u>\$ 83,233</u>	<u>\$ 23</u>	<u>\$ 83,256</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

The Auxiliary uses District facilities such as the College Bookstore, College Cafeteria, and Golf Driving Range. In return for the use of the facilities, the Auxiliary and the District have agreed to a Master Agreement which calls for the Auxiliary to pay the District up to 99 percent of the Food Services contract commissions. The Master Agreement is amended periodically and approved by both the Auxiliary Board of Directors and the District Board of Trustees.

The Auxiliary also provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as District program support and textbooks. During the year ended June 30, 2016, the Auxiliary provided \$231,238 in program support to the District. At June 30, 2016, the Auxiliary owed the District \$28,424 for agreed-upon reimbursements.

The District provides office space and other support to the Auxiliary. The value of this support has not been calculated and is not reflected within these financial statements.

NOTE 9 - SUBSEQUENT EVENTS

The Auxiliary'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 April 25, 2017, 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.

SUPPLEMENTARY INFORMATION

DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)

FUND LEVEL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	General Operating Fund	Trust Agency Fund	Student Loan Fund	Total (Memorandum Only)
REVENUE				
Commission income				
Bookstore	\$ 283,808	\$ -	\$ -	\$ 283,808
Cafeteria	51,023	-	-	51,023
Vending machines	70,158	-	-	70,158
Golf driving range	311,821	-	-	311,821
Total Revenue	<u>716,810</u>	<u>-</u>	<u>-</u>	<u>716,810</u>
EXPENSES				
Program				
Golf driving range	324,842	-	-	324,842
Support for District programs	204,974	-	-	204,974
Textbooks for District library	26,264	-	-	26,264
Total Program Expenses	<u>556,080</u>	<u>-</u>	<u>-</u>	<u>556,080</u>
Operating				
Administrative	56,002	-	-	56,002
Total Operating Expenses	<u>56,002</u>	<u>-</u>	<u>-</u>	<u>56,002</u>
Total Expenses	<u>612,082</u>	<u>-</u>	<u>-</u>	<u>612,082</u>
OTHER REVENUE				
Interest	910	-	-	910
Total Other Revenue	<u>910</u>	<u>-</u>	<u>-</u>	<u>910</u>
TRANSFERS	(23)	18,043	(18,020)	-
CHANGE IN NET ASSETS	<u>105,638</u>	<u>-</u>	<u>-</u>	<u>105,638</u>
NET ASSETS				
Beginning of year	1,422,271	41,087	62,146	1,525,504
End of year	<u>\$ 1,527,886</u>	<u>\$ 59,130</u>	<u>\$ 44,126</u>	<u>\$ 1,631,142</u>
CLASSIFICATION OF NET ASSETS				
Unrestricted	\$ 1,527,886	\$ -	\$ -	\$ 1,527,886
Temporarily restricted	-	59,130	24,126	83,256
Permanently restricted	-	-	20,000	20,000
Total Net Assets	<u>\$ 1,527,886</u>	<u>\$ 59,130</u>	<u>\$ 44,126</u>	<u>\$ 1,631,142</u>

**DESERT COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES
(A California Nonprofit Corporation)**

**NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1 - PURPOSE OF THE SCHEDULE

The fund level statement of activities is presented on the full accrual basis of accounting. This information is not a required component of the financial statements, but is presented at the request of management to provide further information and analysis of the activities of the Auxiliary.

NOTE 2 - TRANSFERS BETWEEN FUNDS

During the year ended June 30, 2016, unrestricted funds were transferred to temporarily restricted funds based on management analysis.