

**THE NAPA VALLEY COMMUNITY COLLEGE
DISTRICT AUXILIARY SERVICES
FOUNDATION**

AUDIT REPORT

June 30, 2016



**COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT**
CERTIFIED PUBLIC ACCOUNTANTS

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
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JUNE 30, 2016

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Financial Section



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Napa Valley Community College District Auxiliary Services Foundation
Napa, California

We have audited the accompanying financial statements of The Napa Valley Community College District Auxiliary Services Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2016, 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 The Napa Valley Community College District Auxiliary Services Foundation 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.

CWDL, Certified Public Accountants

San Diego, California
October 28, 2016

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	<u>2016</u>
ASSETS	
Cash and cash equivalents	\$ 833,709
Accounts receivable	42,803
Prepaid expenses	1,756
Total Assets	<u>878,268</u>
LIABILITIES	
Accounts payable	264,869
Deferred revenues	15,000
Due to NVC - Unrestricted	20,822
Total Liabilities	<u>300,691</u>
NET ASSETS	
Operating Unrestricted Fund	136,428
Temporarily Restricted Earnings	441,149
Total Net Assets	<u>577,577</u>
Total Liabilities and Net Assets	<u>\$ 878,268</u>

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

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
STATEMENT OF ACTIVITIES
JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Donations	\$ 16,730	\$ -	\$ 16,730
Transfers from Napa College Foundation	120,045	-	120,045
Support from college program funds	73,085	-	73,085
Grants & contracts	-	203,217	203,217
Facilities rental income	155,515	-	155,515
Café	237,119	-	237,119
Other revenues	1,888	-	1,888
Net assets released from restriction	118,052	(118,052)	-
Total Revenues, Gains and Other Support	722,434	85,165	807,599
EXPENSES			
Salaries & wages	109,536	-	109,536
Travel & conferences	12,075	-	12,075
Dues & memberships	425	-	425
Equipment	7,250	-	7,250
Printing and advertising	1,056	-	1,056
Repairs & maintenance	6,692	-	6,692
Cafe food & beverages	132,958	-	132,958
Supplies	45,383	-	45,383
Professional Services	4,589	-	4,589
Other expenses	73,599	-	73,599
Scholarships/Awards	7,480	-	7,480
Total Expenses	401,043	-	401,043
EXTRAORDINARY ITEMS			
Net assets transferred to NVC General Fund	368,144	-	368,144
CHANGE IN NET ASSETS	(46,753)	85,165	38,412
Net assets - beginning	183,181	355,984	539,165
Net assets - ending	136,428	441,149	577,577

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

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
STATEMENT OF CASH FLOWS
JUNE 30, 2016

	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 38,412
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Accounts receivable	(24,210)
Prepaid expenses	(1,173)
Accounts payable	261,579
Deferred revenues	15,000
Due to - Napa Valley College	(225,504)
Net cash provided by operating activities:	<u>64,104</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 64,104
 Cash and cash equivalents - beginning	 <u>769,605</u>
 Cash and cash equivalents - ending	 <u>\$ 833,709</u>

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

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2016

	Program	Administrative	Total
Advertising and printing	\$ -	\$ 1,056	\$ 1,056
Café food and beverages	132,958	-	132,958
Dues and memberships	-	425	425
Equipment	-	7,250	7,250
Other expenses	40,471	33,128	73,599
Professional Services	-	4,589	4,589
Repairs and maintenance	-	6,692	6,692
Salaries and wages	105,373	4,163	109,536
Scholarships and awards	7,480	-	7,480
Supplies	35,104	10,279	45,383
Travel and conferences	-	12,075	12,075
Total	\$ 321,386	\$ 79,657	\$ 401,043

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

**THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Napa Valley Community College District Auxiliary Services Foundation (the "Foundation") was incorporated in October 2013 as a nonprofit public corporation for the purpose of promoting and assisting the educational mission of Napa Valley College. In fulfilling its mission, Foundation employees support on campus programs and services in addition to supporting regional business and industry. The Foundation is governed by a Board of Directors and the Napa Valley College President serves as the Foundation Chief Executive Officer and Board Chair.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting

The Foundation's policy is to prepare its financial statements on the accrual basis of accounting, consequently, revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

Financial Statement Presentation

The Foundation is required to report 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. Unrestricted net assets include all resources available for use by the Board of Directors and management's discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Temporarily or permanently restricted net assets are only expendable for the purpose specified by the donor or through the passage of time. 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. Permanently restricted net assets are generally required to be held by the Foundation in perpetuity while the earnings on those assets are available for use by the Foundation to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged. Fund accounting is not used in the Foundation's financial statement presentation.

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

Non-cash contributions of goods, materials, and facilities are recorded at the fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a non-financial asset or require specialized skills, are provided by someone possessing those skills, and would have to be purchased by the Foundation if not donated.

Income Taxes

The Foundation is a 509(a)(1) publicly supported nonprofit organization that is exempt from income taxes under Section 501(a) and 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Foundation is also exempt from state franchise or income tax under Section 23701(d) of the California Revenue and Taxation Code.

Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Foundation did not have any net unrelated business income for the year ended June 30, 2016. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements.

Capital Assets

The Foundation has not adopted a policy to capitalize asset purchases in conformance with generally accepted accounting principles because the Foundation does not own, nor does it have plans to acquire, property or equipment. The property and equipment used by the Foundation in its operations is owned by the District.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet the criteria for recognition in the current period and when resources are received by the Foundation prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Foundation has a legal claim to the resources, the liability for deferred revenue is removed from the statement of financial position and revenue is recognized.

THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include cash in commercial checking accounts and demand deposits in money market funds that are used for operational purposes. Cash and cash equivalents exclude highly-liquid investments restricted for endowment, which are instead reported as investments. Cash and cash equivalent balances, at times, may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000.

Investments

The Foundation's method of accounting for investments is the fair value method. Fair value is determined by published quotes when they are readily available. Adjustments to fair values are included in the accompanying statement of financial position and statement of activities.

Fair Value Measurements

The Fair Value Measurements Topic of the *FASB Accounting Standards Codification* establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**THE NAPA VALLEY COMMUNITY COLLEGE DISTRICT AUXILIARY SERVICES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2016, consist of cash held in checking accounts totaling \$833,709.

NOTE 3 – RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consist of non-endowed program and scholarship funds totaling \$441,149.

Permanently Restricted Net Assets

The Foundation does not have any permanently restricted net assets as of June 30, 2016.

NOTE 4 – DONATED MATERIALS AND SERVICES

The District contributes to the Foundation by providing facilities and equipment (see Note 1) and by paying the personnel costs of the Foundation's paid staff in exchange for a negotiated support fee. The Foundation has recognized \$11,392 of non-cash donations. The Foundation and the District have not determined the remaining costs of Foundation operation that are not reimbursed via the administrative support fee.

NOTE 5 – RELATED PARTIES

As described in Note 1, the Foundation is a supporting organization of the District; therefore, transactions between the Foundation and the District, District personnel, students at the College, and programs of the College, are expected. Per the Foundation's Bylaws, the College President is responsible for Foundation operations and District and College personnel serve in ex-officio and voting capacities on the Foundation's Board.

The Foundation was further supported by the involvement of College and District personnel in the Foundation's events and programs. The total amount of these contributions has not been segregated from the non-District affiliated contributions.

NOTE 6 – SUBSEQUENT EVENTS

The Foundation management evaluated subsequent events from June 30, 2016 through October 28, 2016, the date the financial statements were issued. The District concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.