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# RIO HONDO COLLEGE FOUNDATION

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## FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**RIO HONDO COLLEGE FOUNDATION**  
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**JUNE 30, 2022 AND 2021**

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## **Financial Section**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rio Hondo College Foundation (the Foundation)  
Whittier, California

### **Report on Audit of Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Rio Hondo College Foundation (the "Foundation"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rio Hondo College Foundation as of June 30, 2022 and 2021, and the changes to 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rio Hondo College Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*CWDL, Certified Public Accountants*

San Diego, California  
February 21, 2023

**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 187,984	\$ 79,589
Accounts receivable	22,951	229
Investment	3,424,545	3,762,391
Funds held by others	208,619	251,724
Deposits and prepaid expenses	3,787	-
<b>Total Assets</b>	<b>3,847,886</b>	<b>4,093,933</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	54,465	29,829
Due to Rio Hondo College	-	91,063
<b>Total Liabilities</b>	<b>54,465</b>	<b>120,892</b>
<b>NET ASSETS</b>		
Net assets without donor restrictions	274,596	286,229
Net assets with donor restrictions	3,518,825	3,686,812
<b>Total Net Assets</b>	<b>3,793,421</b>	<b>3,973,041</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,847,886</b>	<b>\$ 4,093,933</b>

**RIO HONDO COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022**

	June 30, 2022		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 163,109	\$ 98,549	\$ 261,658
Fundraising events	111,702	-	111,702
In-kind, facilities	10,000	-	10,000
In-kind, personnel services	115,218	-	107,413
Net investment return	14,204	(378,054)	(363,850)
Other income	91,063	-	91,063
Restrictions released	(111,518)	111,518	-
<b>Total Revenue and Restrictions Released</b>	<b>393,778</b>	<b>(167,987)</b>	<b>225,791</b>
<b>EXPENSES</b>			
Program services	307,304	-	307,304
Support services	45,796	-	45,796
Fundraising expenses	52,311	-	52,311
<b>Total Expenses</b>	<b>405,411</b>	<b>-</b>	<b>405,411</b>
<b>CHANGE IN NET ASSETS</b>	<b>(11,633)</b>	<b>(167,987)</b>	<b>(179,620)</b>
<b>Net assets - beginning</b>	<b>286,229</b>	<b>3,686,812</b>	<b>3,973,041</b>
<b>Net assets - ending</b>	<b>\$ 274,596</b>	<b>\$ 3,518,825</b>	<b>\$ 3,793,421</b>

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

**RIO HONDO COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021**

	June 30, 2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 132,095	\$ 103,242	\$ 235,337
Fundraising events	58,626	-	58,626
In-kind, facilities	10,000	-	10,000
In-kind, personnel services	107,413	-	107,413
Net investment return	6,647	622,666	629,313
Restrictions released	206,784	(206,784)	-
<b>Total Revenue and Restrictions Released</b>	<b>521,565</b>	<b>519,124</b>	<b>1,040,689</b>
<b>EXPENSES</b>			
Program services	294,765	-	294,765
Support services	34,124	-	34,124
Fundraising expenses	44,400	-	44,400
<b>Total Expenses</b>	<b>373,289</b>	<b>-</b>	<b>373,289</b>
<b>CHANGE IN NET ASSETS</b>	<b>148,276</b>	<b>519,124</b>	<b>667,400</b>
<b>Net assets - beginning</b>	<b>137,953</b>	<b>3,167,688</b>	<b>3,305,641</b>
<b>Net assets - ending</b>	<b>\$ 286,229</b>	<b>\$ 3,686,812</b>	<b>\$ 3,973,041</b>

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



**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (179,620)	\$ 667,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment fees	43,105	(44,478)
Realized & unrealized (gain) loss on investments, net	337,846	(714,433)
(Increase) decrease in:		
Accounts receivable	(22,722)	1,607
Deposits and prepaid expenses	(3,787)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	24,636	(37,383)
Accrued payroll and related liabilities	-	(1,779)
Due to Rio Hondo College	(91,063)	-
<b>Net cash provided (used) by operating activities:</b>	<u>108,395</u>	<u>(129,066)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	108,395	(129,066)
<b>Cash and cash equivalents - beginning</b>	79,589	208,655
<b>Cash and cash equivalents - ending</b>	<u>\$ 187,984</u>	<u>\$ 79,589</u>
<b>Supplemental, Non-Cash Information</b>		
In-kind, facilities	\$ 10,000	\$ 10,000
In-kind, personnel services	<u>\$ 115,218</u>	<u>\$ 107,413</u>

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

**RIO HONDO COLLEGE FOUNDATION  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<b>June 30, 2022</b>			
	<b>Program Services</b>	<b>Support Services</b>	<b>Fundraising</b>	<b>Total</b>
<b>Salaries and related expenses</b>				
Salaries, taxes and benefits	\$ 21,158	\$ 17,631	\$ 31,737	\$ 70,526
<b>Non-payroll expenses</b>				
Audit, taxes and insurance	-	11,574	-	11,574
Bank charges	-	-	816	816
Contributions to the college	65,254	-	-	65,254
Equipment and supplies	-	-	1,334	1,334
In-kind, facilities	6,500	2,500	1,000	10,000
In-kind, personnel services	103,696	11,522	-	115,218
Licenses, fees and dues	-	-	490	490
Marketing	-	2,569	-	2,569
Outside services, events	-	-	16,934	16,934
Scholarship expenses	110,696	-	-	110,696
<b>Total Expenses</b>	<b>\$ 307,304</b>	<b>\$ 45,796</b>	<b>\$ 52,311</b>	<b>\$ 405,411</b>
	<b>June 30, 2021</b>			
	<b>Program Services</b>	<b>Support Services</b>	<b>Fundraising</b>	<b>Total</b>
<b>Salaries and related expenses</b>				
Salaries, taxes and benefits	\$ 10,065	\$ 8,387	\$ 15,097	\$ 33,549
<b>Non-payroll expenses</b>				
Audit, taxes and insurance	-	12,244	-	12,244
Bank charges	-	-	1,618	1,618
Contributions to the college	77,358	-	-	77,358
Equipment and supplies	-	-	30	30
In-kind, facilities	6,500	2,500	1,000	10,000
In-kind, personnel services	96,672	10,741	-	107,413
Licenses, fees and dues	-	-	2,781	2,781
Marketing	-	252	-	252
Outside services, events	-	-	23,874	23,874
Scholarship expenses	104,170	-	-	104,170
<b>Total Expenses</b>	<b>\$ 294,765</b>	<b>\$ 34,124</b>	<b>\$ 44,400</b>	<b>\$ 373,289</b>

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Rio Hondo College Foundation (the Foundation) was founded in 1992 and is governed by a Board of Directors. Its funding sources are from private and public contributions and fundraising activities. The Foundation is organized under the not-for-profit public benefit corporation law for charitable and educational purposes. It was founded to provide an instrumentality for financing and undertaking activities, projects and functions, of a charitable and educational nature, which will benefit the students and augment the educational programs of Rio Hondo College (the College).

**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 two classes of net assets: net assets with donor restrictions and net assets without restrictions. Net assets without donor restrictions 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. Net assets with donor restrictions 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), Net assets with donor restriction are reclassified as net assets without donor restriction. Net assets with donor restriction 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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Net Assets**

The financial statements report amounts separately by class of net assets as follows:

- Net assets without donor restrictions are those resources that are currently available for operations.
- Net assets with donor restrictions are those resources which are stipulated by donors for various scholarships or other programmatic uses.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to net assets with donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

**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.

**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.

**Accounts Receivable**

Receivables consist of accounts receivable and student loans and are stated at the amount management expects to collect from outstanding balances. The Foundation uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all receivables were collectible at year-end and therefore no allowance for doubtful accounts was considered necessary at June 30, 2022 and 2021.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Investments**

Investments in debt and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year; securities traded on the over-the counter market is valued at the last reported bid price.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date. Investments are made according to the policies adopted by the Foundation's Board. The Foundation contracts with outside parties to provide investment management and consulting services.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

**Funds Held by Others**

The Foundation has the unconditional right to receive all the cash flows from its beneficial interest in California Community Colleges (FCCC). The Foundation records its beneficial interest at the fair value using the present value of the estimated future cash. The balance at June 30, 2022 and 2021 consists of stocks, bonds and mutual fund investments and money instruments stated at market value. The fund is held and investment by the California Community Colleges for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

**Deposits and Prepaid Expenses**

Deposits and prepaid expenses are expensed ratably over their respective terms of agreement.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Accounting for Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restriction, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Contributed Goods and Services – (In-kind)**

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Expense Recognition and Allocation**

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Endowment Investments**

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Foundation's activities.
- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund or may permit the Foundation to spend those amounts in accordance with the donor's restrictions on use.
- Board-designated endowments, which are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted permanent endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

Endowment investments are reported at fair value. The fair value for investments in equity securities traded on national securities exchanges is determined by the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price. The fair value of shares in exchange-traded funds is determined by the closing price on the last business day of the fiscal year. The fair value of open-end mutual fund units is determined by the published net asset value per unit at the end of the last trading day of the fiscal year.

The investment and spending policies for the Endowment Fund are discussed in Note 7.

**Income Taxes**

The Foundation 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 years ended June 30, 2022 and 2021. It is management's belief that the Foundation does not hold any uncertain tax positions that would materially impact the financial statements.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Comparative Totals**

The financial statements include certain prior-year summarized comparative information. 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 Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**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.

As of June 30, 2022, and 2021, the Foundation does not have any assets or liabilities subject to fair value measurements.



**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, continued**

**Change in Accounting Principle**

ASU 2020-07 Presentation and Discussion by Not-for-Profit Entities for Contributed Nonfinancial Assets improves generally accepted accounting principles (GAAP) by increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in the updated address public concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFP's as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and the interim periods within annual periods beginning after June 21, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

**New accounting pronouncement**

In November, FASB issued ASU 2021-09, Leases (ASU 2021-09). ASU 2021-09 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2021-09 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. Although the full impact of ASU 2021-09 on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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**NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for program services that could be drawn upon if the Board of Directors approves that action.

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 187,984	\$ 79,589
Investment	3,424,545	3,762,391
Funds held by others	208,619	251,724
Total financial assets, at year-end	<u>3,821,148</u>	<u>4,093,704</u>
Restrictions for specific purposes:		
Board designated	274,596	286,229
Donor designated	3,518,825	3,686,812
Total contractual or donor-imposed restrictions	<u>3,793,421</u>	<u>3,973,041</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 27,727</u>	<u>\$ 120,663</u>

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of June 30, 2022 and 2021, consisted of cash held in checking accounts totaling \$187,984 and \$79,589 respectively.

**NOTE 4 - INVESTMENTS**

The Foundation measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The investment tables below represent the four major endowment group investments with Charles Schwab. The hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted market prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Foundation to develop its own assumptions. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2022, are Level 1 and Level 2 inputs.

Charles Schwab investments consist of the following at June 30, 2022:

Type of Investments	Level 1	Level 2	Total
Certificates of Deposit	\$ -	\$ 643,000	\$ 643,000
Endowment Grants			
Cash	111,680	63,304	174,984
Equity Securities:			
Bond Funds	688,312	-	688,312
Equity Funds	1,338,683	-	1,338,683
Exchange Traded Funds	579,566	-	579,566
Total	\$ 2,718,241	\$ 706,304	\$ 3,424,545

At June 30, 2022, the Foundation does not have any investments measured using Level 3 inputs. All other endowments will be controlled by Charles Schwab by June 30, 2022.

The composition of the Charles Schwab investment return reported in the statement of activities is as follows:

Dividends and interest reinvested	\$ 58,029
Interest income, other	14,204
Realized gain(loss) on investments	29,389
Unrealized gain(loss) on investments	(415,263)
Withdrawals	(6,700)
Investment fees	(18,052)
Total	\$ (338,393)

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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**NOTE 4 – INVESTMENTS, continued**

Charles Schwab investments consist of the following at June 30, 2021:

Type of Investments	Level 1	Level 2	Total
Certificates of Deposit	\$ -	\$ 639,000	\$ 639,000
Endowment Grants			
Cash	825	124,378	125,203
Equity Securities:			
Bond Funds	1,013,439	-	1,013,439
Equity Funds	1,174,105	-	1,174,105
Exchange Traded Funds	631,926	-	631,926
Total	\$ 2,820,295	\$ 763,378	\$ 3,583,673

At June 30, 2021, the Foundation does not have any investments measured using Level 3 inputs.

The composition of the Charles Schwab investment return reported in the statement of activities is as follows:

Dividends and interest reinvested	\$ 49,211
Interest income, other	6,647
Realized gain(loss) on investments	65,155
Unrealized gain(loss) on investments	468,427
Withdrawals	(10,000)
Investment fees	(14,507)
Total	\$ 564,933

**RIO HONDO COLLEGE FOUNDATION  
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**NOTE 5 - FUNDS HELD BY OTHERS**

The Foundation is a participant in a pooled investment in the California Community Colleges Scholarship Endowment fund held by the Foundation for California Community Colleges (FCCC) which is permanently restricted for community colleges scholarships. Management and investment oversight is the responsibility of FCCC as directed by the donor, Bernard Osher from the Osher Foundation.

An initial gift from the Osher Foundation of \$25 million and any match from the Osher Foundation are considered gifts to the FCCC and remain assets of the FCCC per the grant agreement. Subsequent fundraising by the Foundation that results in monies transferred to FCCC may remain permanently restricted assets of the Foundation and will be reflected as such on all financial reporting. However, all donations to the endowment must be left in the fund permanently and cannot be returned or used for other purposes.

The Osher Foundation will provide a 50 percent match for each dollar raised. The match will be reconciled annually based on the amount raised each fiscal year by the FCCC and individual colleges. Contributions received from the Foundation and invested in the Endowment on or before June 30 of a given year, and the match dollars subsequently applied to those contributions, begin earning interest and result in scholarship distributions one year later. Earnings on both the dollars raised by the Foundation and the match provided by the Osher Foundation will be distributed as scholarship funds to the Foundation, net of investment expenses.

The earnings from the dollars raised by the Foundation and the corresponding match amount will be set aside for scholarships for Rio Hondo Community College students.

At June 30, 2022 the fair value of this investment was \$208,619. The composition is as follows using Level 2 inputs:

Beginning balance	\$ 251,724
Dividends and interest reinvested	7,039
Net realized gain(loss)	7,240
Net unrealized gain(loss)	(46,117)
Less - investment fees	(867)
Less - withdrawals	(10,400)
Total	<u>\$ 208,619</u>

At June 30, 2021 the fair value of this investment was \$251,724. The composition is as follows using Level 2 inputs:

Beginning balance	\$ 207,246
Dividends and interest reinvested	4,387
Net realized gain(loss)	12,786
Net unrealized gain(loss)	38,455
Less - investment fees	(750)
Less - withdrawals	(10,400)
Total	<u>\$ 251,724</u>

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

**Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2022 consisted of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance at 7/1/2021	Income	Expenditures	Balance at 6/30/2022
Net assets with donor restricted programs	\$ 557,137	\$ 221,368	\$ (185,998)	\$ 592,507
P&R Endowments	2,820,295	(77,846)	(24,752)	2,717,697
Foundation for California				
Community College Endowment	251,725	(31,837)	(11,267)	208,621
Sacchi Endowment	42,880	(42,880)	-	-
Cloon Endowment	21,312	(21,312)	-	-
Paulsen Endowment	53,365	(53,365)	-	-
Total	\$ 3,746,714	\$ (5,872)	\$ (222,017)	\$ 3,518,825

Net assets with donor restriction at June 30, 2021 consisted of amounts restricted by donor-imposed stipulations, and are available for the following purposes:

Grant	Balance at 7/1/2020	Income	Expenditures	Balance at 6/30/2021
Net assets with donor restricted programs	\$ 584,827	\$ 143,438	\$ (171,128)	\$ 557,137
P&R Endowments	2,262,010	582,792	(24,507)	2,820,295
Foundation for California				
Community College Endowment	207,246	55,628	(11,149)	251,725
Sacchi Endowment	41,440	1,440	-	42,880
Cloon Endowment	20,600	712	-	21,312
Paulsen Endowment	51,565	1,800	-	53,365
Total	\$ 3,167,688	\$ 785,810	\$ (206,784)	\$ 3,746,714

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS, continued**

**Net Assets with Donor Restrictions**

Scholarship and investment fee expenditures of net assets with donor restrictions during the year ended June 30, 2022 were:

<u>Grant</u>	<u>Expenditures</u>	<u>Balance at 6/30/2022</u>
Net assets with donor restricted programs	Scholarships	\$ 185,998
P&R Endowments	Scholarships and investment fees	24,752
Foundation for California Community College Endowment	Scholarships and investment fees	11,268
Total		<u>\$ 222,018</u>

Scholarship and investment fee expenditures of net assets with donor restrictions during the year ended June 30, 2021, were:

<u>Grant</u>	<u>Expenditures</u>	<u>Balance at 6/30/2021</u>
Net assets with donor restricted programs	Scholarships	\$ 171,128
P&R Endowments	Scholarships and investment fees	24,507
Foundation for California Community College Endowment	Scholarships and investment fees	11,149
Total		<u>\$ 206,784</u>

**NOTE 7 – ENDOWMENT**

The Foundation received a Title III Endowment Challenge Grant from the Department of Education in the amount of \$364,202 during the year ended June 30, 1998. The corpus of the endowment is to be invested for a period of twenty years and the Foundation may, for allowable expenditures, spend up to fifty percent of the aggregate income earned. Beginning in 2019, the Foundation may use the corpus for any educational purpose.

Starting 2001, the Foundation has been a recipient of Title V Endowment Challenge Grants from the Department of Education, which is passed through the Rio Hondo Community College. The corpus of the endowment, with funds raised by the foundation, is to be invested for a period of twenty years and the Foundation may, for allowable expenditures, spend up to fifty percent of the aggregate income earned. Beginning in 2021, the Foundation may use the corpus for any educational purpose.

On June 4, 2008, the Foundation received a \$150,000 grant from B.C. McCabe Foundation. The award was invested towards the scholarship endowment fund for veterans.

The Foundation follows the provisions of ASC 958 Section 205-45, *Reporting Endowment Funds*. These provisions provide guidance on the net classification of donor-restricted endowment funds for a not-for profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

**Interpretation of Relevant Law**

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation



**RIO HONDO COLLEGE FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2022 AND 2021**

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**NOTE 7 – ENDOWMENT, continued**

The net composition of the endowment as of June 30, 2022, is as follows:

	<u>Net Assets with Donor Restriction</u>
Donor-restricted funds:	
Foundation for California Community Colleges	\$ 208,619
Title III	1,394,760
Title V (1)	531,052
Title V (2)	345,291
McCabe	226,699
Other Endowments	219,891
Total	<u>\$ 2,926,312</u>

The net composition of the endowment as of June 30, 2021, is as follows:

	<u>Net Assets with Donor Restriction</u>
Donor-restricted funds:	
Foundation for California Community Colleges	\$ 251,724
Title III	1,570,620
Title V (1)	605,476
Title V (2)	388,979
McCabe	255,217
Other Endowments	163,281
Total	<u>\$ 3,235,297</u>

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

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**NOTE 7 – ENDOWMENT, continued**

The changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Net Assets with Donor Restriction
Endowment net assets, July 1, 2021	\$ 3,235,297
Investment return:	
Dividends & Interest	65,068
Total investment return	<u>3,300,365</u>
Realized gain/(loss)	36,629
Unrealized gain/(loss)	(461,380)
Fees	(18,920)
Withdrawals	(17,100)
Contributions	86,718
Endowment net assets, June 30, 2022	<u>\$ 2,926,312</u>

The changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Net Assets with Donor Restriction
Endowment net assets, July 1, 2020	\$ 2,582,861
Investment return:	
Dividends & Interest	61,757
Total investment return	<u>2,644,618</u>
Realized gain/(loss)	77,940
Unrealized gain/(loss)	506,882
Fees	(15,256)
Withdrawals	(20,400)
Contributions	41,513
Endowment net assets, June 30, 2021	<u>\$ 3,235,297</u>

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 – ENDOWMENT, continued**

**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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide a total return, over time, which at minimum equals or exceeds the rate of inflation plus the annual endowment spending percentage set by the Board of Directors assuming a moderate level of investment risk.

The Foundation expects its endowment funds to provide an average rate of return of approximately 6.3 percent using 10-year capital market assumptions. 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 quality-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation’s Board of Directors has a policy of evaluating the investment income earned each year. A portion of the income will be designated for student scholarships and the additional available income will be designated for future growth of the endowment based on donor-imposed conditions. The Board of Directors is mindful of its responsibility to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 8 - FUNDRAISING EVENTS**

The Foundation conducted various special event and fundraising activities during the year. The revenue and expenses from fund development activities for the year ended June 30, 2022 were as follows:

June 30, 2022	Revenue	Expenses	Net Revenue
Taste of Rio	\$ 92,045	\$ (16,934)	\$ 75,111
Golf Tournament	10,500	-	10,500
Total	<u>\$ 102,545</u>	<u>\$ (16,934)</u>	<u>\$ 85,611</u>

The revenue and expenses from fund development activities for the year ended June 30, 2021 were as follows:

June 30, 2021	Revenue	Expenses	Net Revenue
Taste of Rio	\$ 50,835	\$ (21,518)	\$ 29,317
Annual Fund Drive	7,791	(2,000)	5,791
RHC Homecoming	-	(356)	(356)
Total	<u>\$ 58,626</u>	<u>\$ (23,874)</u>	<u>\$ 34,752</u>

**RIO HONDO COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 - RELATED PARTY TRANSACTIONS**

The Foundation's primary purpose is to assist in the institutional development and encourage community support to Rio Hondo Community College and its students. The Foundation receives gifts, property and funds to be used for the benefit of the College, its programs, and any person or organization having an official relationship with the College. The balance payable to the College amounted to \$-0- as of June 30, 2022 and \$91,063 as of June 30, 2021.

To assist the Foundation in carrying out its purpose, the College provides administrative services to the Foundation. Salaries and benefits for the administrative staff are paid by the College. For the fiscal year ended June 30, 2022 and 2021, the College provided in-kind personnel services of approximately of \$115,218 and \$107,413 respectively. Working space for employees, who perform administrative services for the Foundation, is provided by the College at no charge to the Foundation, and for 2022 and 2021 amounted to an estimated fair value of \$10,000. These amounts are classified as in-kind contributions and expenses in the accompanying statements of activities and statement of functional expenses.

**NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS**

During the fiscal year ended June 30, 2022 and 2021, the Foundation did not receive any nonfinancial assets outside of what was provided by the district. Details of this support is located at footnote 9.

**NOTE 11 - CONCENTRATION RISK**

Financial instruments, which potentially expose the Foundation to concentration of credit risk, consist primarily of cash and cash equivalents. The Foundation places its cash and cash equivalents with major financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of June 30, 2022, and 2021, the Foundation's cash balances did not exceed the FDIC limit.

The majority of the Foundation's contributions and grants are received from corporations, foundations, and individuals located in the greater Los Angeles metropolitan area and from agencies of the state of California. As such, the Foundation's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for the Foundation's services.

**NOTE 12 – SUBSEQUENT EVENTS**

The Foundation management evaluated subsequent events from June 30, 2022 through February 21, 2023, 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.