



Financial Statements  
June 30, 2020

**Desert Community College District  
Auxiliary Services**

Desert Community College District Auxiliary Services

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June 30, 2020

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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, 2020, 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, 2020, 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.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
February 18, 2021

Desert Community College District Auxiliary Services  
Statement of Financial Position  
June 30, 2020

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Assets

Current assets

Cash	\$ 2,400,062
Accounts receivable	<u>74,148</u>

Total current assets 2,474,210

Noncurrent assets

Property and equipment, net	<u>61,263</u>
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Total assets \$ 2,535,473

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 150,440
Accounts payable - related party	160,268
Deposit	<u>1,000</u>

Total current liabilities 311,708

Net assets

Without donor restriction	2,129,976
With donor restriction	<u>93,789</u>

Total net assets 2,223,765

Total liabilities and net assets \$ 2,535,473

Desert Community College District Auxiliary Services  
Statement of Activities  
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ -	\$ -	\$ -
Commission income	291,044	-	291,044
Golf driving range	154,739	-	154,739
Rental income	127,104	-	127,104
Conference revenue	-	181	181
Miscellaneous income	5,924	-	5,924
Net assets released from restrictions	1,005	(1,005)	-
<b>Total revenues</b>	<b>579,816</b>	<b>(824)</b>	<b>578,992</b>
<b>Expenses</b>			
Program expenses	521,143	-	521,143
Operating expenses	245,738	-	245,738
<b>Total expenses</b>	<b>766,881</b>	<b>-</b>	<b>766,881</b>
<b>Other Income</b>			
Interest	1,241	-	1,241
<b>Change in Net Assets</b>	<b>(185,824)</b>	<b>(824)</b>	<b>(186,648)</b>
<b>Net Assets, Beginning of Year</b>	<b>2,315,800</b>	<b>94,613</b>	<b>2,410,413</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,129,976</b>	<b>\$ 93,789</b>	<b>\$ 2,223,765</b>

## Desert Community College District Auxiliary Services

Statement of Cash Flows  
Year Ended June 30, 2020

Operating Activities	
Change in net assets	\$ (186,648)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	16,973
Change in assets and liabilities	
Accounts receivable	7,505
Accounts receivable - related party	21,974
Accounts payable	120,846
Accounts payable - related party	<u>(62,043)</u>
Net Cash Flows from Operating Activities	<u>(81,393)</u>
Net Change in Cash	(81,393)
Cash, Beginning of Year	<u>2,481,455</u>
Cash, End of Year	<u><u>\$ 2,400,062</u></u>

Desert Community College District Auxiliary Services  
Statement of Functional Expenses  
Year Ended June 30, 2020

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	Program	Operating	Total
Golf driving range expenses	\$ 203,420	\$ -	\$ 203,420
Support for District programs	279,964	-	279,964
Textbook for District library	37,759	-	37,759
Data processing expense	-	3,567	3,567
Office supplies and miscellaneous expenses	-	10,247	10,247
Payroll expenses	-	150,224	150,224
Professional fees	-	64,727	64,727
Depreciation - golf driving range	-	16,973	16,973
	<u>\$ 521,143</u>	<u>\$ 245,738</u>	<u>\$ 766,881</u>



**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 and Nature of Activities**

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, 2020, the Board of Directors included:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Ramont	Chairperson	2021
Sai Vang	Vice Chairperson	2021
Tony Carillo Jr.	Secretary/Treasurer	2021
Dr. Joel Kinnamon	Member at Large	2021
Pam Hunter	Member at Large	2021

**Financial Statement Presentation**

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Auxiliary is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Auxiliary is required to present a statement of cash flows. 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 Accounting Standards Codification (ASC) Topic 958-605, *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 operating services.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions* - Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Auxiliary reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### **Revenue and Revenue Recognition**

Revenue is recognized from sales and services when the products are transferred, and the services are provided. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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 without donor restrictions.

### **Donated Assets, Services, and Facilities**

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. During the year, office space, supplies, and general support was provided by the District.

### **Estimates**

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

### **Cash**

Cash consists of cash held in checking and interest bearing checking accounts. Cash accounts maintained by the Auxiliary are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2020, the Auxiliary had \$1,946,428 of uninsured funds.

**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, 2020, management had reviewed all accounts receivable and determined all amounts were fully collectable. No allowance for doubtful accounts has been established.

**Property and Equipment**

The Auxiliary's policy is to not capitalize acquired property and equipment except for golf driving range property and equipment. Property and equipment 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 seven to twenty years. The cost of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. The Auxiliary maintains a unit capitalization threshold of \$500 and an estimated useful life of greater than one year.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of equipment currently held by the Auxiliary is seven to twenty years.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

**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 auxiliary 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, 2020, these activities recorded a loss, and no unrelated business tax was paid or accrued. The Auxiliary's Federal informational tax returns are no longer subject to tax examinations for the years before June 30, 2017. California State informational returns are no longer subject to tax examinations for the years before June 30, 2016.

The Auxiliary has adopted Financial Accounting Standards Board (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.

**Allocation of Functional Expenses**

The costs of program and operating services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and operating services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or operating function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

**Note 2 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Cash	<u>\$ 2,306,273</u>
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**Liquidity Management**

To manage liquidity, the Auxiliary structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff, on behalf of the Auxiliary management, monitor daily cash balances.

Additionally, on behalf of the Auxiliary, the District has implemented cash management procedures that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

**Note 3 - Accounts Receivable**

As of June 30, 2020, the Auxiliary's account receivables balance of \$74,148 consisted of amounts due within the normal course of business, and all are due within one year.

**Note 4 - Property and Equipment**

The Auxiliary's policy is to not capitalize acquired property and equipment except for golf driving range property and equipment. Property and equipment 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 seven to twenty years.

Equipment	\$ 157,726
Less: accumulated depreciation	<u>(96,463)</u>
Capital assets, net	<u><u>\$ 61,263</u></u>

Depreciation expense for the year ended June 30, 2020, was \$16,973.

**Note 5 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Scholarships	\$ 80,103	\$ -	\$ -	\$ 80,103
Program support	<u>14,510</u>	<u>181</u>	<u>(1,005)</u>	<u>13,686</u>
Total	<u><u>\$ 94,613</u></u>	<u><u>\$ 181</u></u>	<u><u>\$ (1,005)</u></u>	<u><u>\$ 93,789</u></u>

**Note 6 - 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% 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. At June 30, 2020, the Auxiliary owed the District \$159,268 for agreed-upon reimbursements.

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, 2020, the Auxiliary provided \$279,964 in program support to the District. At June 30, 2020, the District did not have any outstanding payables to the Auxiliary.

**Note 7 - Subsequent Events**

The Auxiliary's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2020 through February 18, 2021, which is the date the financial statements were available to be issued.

Subsequent to year end, the Auxiliary has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Auxiliary is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Auxiliary financial position is not known beyond increased cash flow monitoring due to State apportionment deferrals.



Supplementary Information  
June 30, 2020

# Desert Community College District Auxiliary Services

## Desert Community College District Auxiliary Services

Fund Level Statement of Activities

Year Ended June 30, 2020

	General Operating Fund	Trust Agency Fund	Student Loan Fund	Total (Memorandum Only)
Revenue				
Commission income				
Bookstore	\$ 258,418	\$ -	\$ -	\$ 258,418
Vending machines	32,626	-	-	32,626
Golf driving range	154,739	-	-	154,739
Rental income	127,104	-	-	127,104
Conference revenue	-	181	-	181
Miscellaneous income	5,924	-	-	5,924
Assets released from restrictions	-	-	-	-
	<u>578,811</u>	<u>181</u>	<u>-</u>	<u>578,992</u>
Expenses				
Program				
Golf driving range	203,420	-	-	203,420
Support for District programs	279,964	-	-	279,964
Textbooks for District library	37,759	-	-	37,759
	<u>521,143</u>	<u>-</u>	<u>-</u>	<u>521,143</u>
Operating				
Administrative	244,733	1,005	-	245,738
	<u>765,876</u>	<u>1,005</u>	<u>-</u>	<u>766,881</u>
Other Income				
Interest	1,241	-	-	1,241
	<u>(185,824)</u>	<u>(824)</u>	<u>-</u>	<u>(186,648)</u>
Net Assets				
Beginning of year	2,315,800	76,156	18,457	2,410,413
End of year	<u>\$ 2,129,976</u>	<u>\$ 75,332</u>	<u>\$ 18,457</u>	<u>\$ 2,223,765</u>
Classification of Net Assets				
Assets without donor restriction	\$ 2,129,976	\$ -	\$ -	\$ 2,129,976
Assets with donor restriction	-	75,332	18,457	93,789
	<u>\$ 2,129,976</u>	<u>\$ 75,332</u>	<u>\$ 18,457</u>	<u>\$ 2,223,765</u>



**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.