



Financial Statements
June 30, 2023

Desert Community College District
Auxiliary Services

Desert Community College District Auxiliary Services

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Desert Community College District Auxiliary Services as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Auxiliary 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 opinion.

Responsibilities of Management 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, 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 Auxiliary's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 opinion. 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 GAAS 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 GAAS, we:

- 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 Auxiliary'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 Auxiliary's ability to continue as a going concern for a reasonable period of time.

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.

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 13 as of and for the year ended June 30, 2023 is presented for the 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 GAAS. 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 5, 2024

Desert Community College District Auxiliary Services
Statement of Financial Position
June 30, 2023

Assets

Current assets

Cash	\$ 2,164,470
Accounts receivable	<u>90,200</u>

Total current assets	<u>2,254,670</u>
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Noncurrent assets

Equipment, net	<u>31,243</u>
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Total assets	<u><u>\$ 2,285,913</u></u>
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Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 174,192
Accounts payable - related party	95,001
Deposits	<u>1,000</u>

Total current liabilities	<u>270,193</u>
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Net assets

Without donor restrictions	1,924,742
With donor restrictions	<u>90,978</u>

Total net assets	<u>2,015,720</u>
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Total liabilities and net assets	<u><u>\$ 2,285,913</u></u>
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Desert Community College District Auxiliary Services

Statement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Commission income	\$ 160,787	\$ -	\$ 160,787
Golf driving range	275,389	-	275,389
Miscellaneous income	-	4,113	4,113
Net assets released from restrictions	6,574	(6,574)	-
Total revenues	<u>442,750</u>	<u>(2,461)</u>	<u>440,289</u>
Expenses			
Program	393,160	-	393,160
Management and general	164,324	-	164,324
Total expenses	<u>557,484</u>	<u>-</u>	<u>557,484</u>
Other Income			
Interest	9,453	-	9,453
Change in Net Assets	(105,281)	(2,461)	(107,742)
Net Assets, Beginning of Year	<u>2,030,023</u>	<u>93,439</u>	<u>2,123,462</u>
Net Assets, End of Year	<u>\$ 1,924,742</u>	<u>\$ 90,978</u>	<u>\$ 2,015,720</u>

Desert Community College District Auxiliary Services

Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ (107,742)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	17,744
Change in assets and liabilities	
Accounts receivable	(70,438)
Accounts payable	70,898
Accounts payable - related party	<u>36,557</u>
Net Cash Flows from Operating Activities	<u>(52,981)</u>
Net Change in Cash	(52,981)
Cash, Beginning of Year	<u>2,217,451</u>
Cash, End of Year	<u><u>\$ 2,164,470</u></u>

Desert Community College District Auxiliary Services
Statement of Functional Expenses
Year Ended June 30, 2023

	Program	Management and General	Total
Golf driving range	\$ 257,087	\$ -	\$ 257,087
Support for District programs	85,635	-	85,635
Equipment repair	50,438	-	50,438
Data processing expense	-	7,911	7,911
Office supplies and miscellaneous	-	24	24
Salaries and benefits	-	127,888	127,888
Professional fees	-	10,757	10,757
Depreciation - golf driving range	-	17,744	17,744
	<u>\$ 393,160</u>	<u>\$ 164,324</u>	<u>\$ 557,484</u>

Note 1 - Nature of 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, 2023, the Board of Directors included:

Name	Title	Term Expires
Rodrigo Garcia	Chairperson	2023
Ellen Clifford	Vice Chairperson	2023
Diana Guijarro	Secretary/Treasurer	2023
Martha Garcia, Ed.D.	Member at Large	2023
Jessica Enders, Ed.D.	Member at Large	2023

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 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 supporting services.

Net Assets

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

Net Assets without Donor Restrictions - Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Auxiliary, as well as all property and equipment of the Auxiliary.

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

The Auxiliary recognizes revenues consistent with the guidance in Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*. The core principle of this guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

Golf driving range and commission income is recognized and recorded as unrestricted revenue in the year in which performance obligations are satisfied, typically when the activity or services are rendered.

Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. Contributions are reported as 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 released from restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) 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, and those differences could be material.

Cash and Concentrations

Cash consists of cash held in checking and interest bearing checking accounts. The Auxiliary maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2023, the Auxiliary had cash balances of approximately \$1.7 million held in financial institutions in excess of the FDIC coverage. Deposit concentration risk is managed by placing cash balances with financial institutions believed by the Auxiliary to be creditworthy. Management believes credit risk is limited.

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 debts. At June 30, 2023, management determined all accounts receivable were fully collectable and no allowance for bad debts has been established.

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. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of 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.

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, 2023.

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. There was no unrelated business activity income.

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.

Allocation of Functional Expenses

The costs of program and supporting 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. There are no shared costs among the program and supporting services that require allocation.

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	\$ 2,073,492
Accounts receivable	<u>88,562</u>
Total	<u><u>\$ 2,162,054</u></u>

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, 2023, the Auxiliary's accounts receivable balance of \$90,200 consisted of amounts due within the normal course of business, and all are due within one year.

Note 4 - Equipment

Equipment consisted of the following as of June 30, 2023:

Equipment	\$ 178,228
Less: accumulated depreciation	<u>(146,985)</u>
Capital assets, net	<u><u>\$ 31,243</u></u>

Depreciation expense for the year ended June 30, 2023, was \$17,744.

Note 5 - Net Assets with Donor Restrictions

Donor restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2023:

	<u>July 1, 2022</u>	<u>Revenue</u>	<u>Assets Released</u>	<u>June 30, 2023</u>
Scholarships	\$ 80,103	\$ -	\$ -	\$ 80,103
Program support	13,336	4,113	(6,574)	10,875
Total	<u>\$ 93,439</u>	<u>\$ 4,113</u>	<u>\$ (6,574)</u>	<u>\$ 90,978</u>

Note 6 - Related Party Transactions**Desert Community College District**

The District bills the Auxiliary for salaries, benefits, and other goods or services which are paid for by the District and reimbursed by the Auxiliary. At June 30, 2023, the Auxiliary owed the District \$95,001 for these costs.

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. The District also contributed \$85,635 for expenses incurred by the Auxiliary in support of District programs for the year ended June 30, 2023. Property and equipment acquired are donated by memorandum to the District, where they are recorded within the District's property and equipment. There were no property and equipment purchases during the year ended June 30, 2023.

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, 2023 through February 5, 2024, which is the date the financial statements were available to be issued.



Supplementary Information
June 30, 2023

Desert Community College District Auxiliary Services

Desert Community College District Auxiliary Services

Fund Level Statement of Activities

Year Ended June 30, 2023

	General Operating Fund	Trust Agency Fund	Student Loan Fund	Total (Memorandum Only)
Revenues				
Commission income				
Bookstore	\$ 137,008	\$ -	\$ -	\$ 137,008
Vending machines	23,779	-	-	23,779
Golf driving range	275,389	-	-	275,389
Miscellaneous income	-	4,113	-	4,113
Assets released from restrictions	6,574	(6,574)	-	-
Total revenues	442,750	(2,461)	-	440,289
Expenses				
Program				
Golf driving range	257,087	-	-	257,087
Support for District programs	85,635	-	-	85,635
Equipment repair	50,438	-	-	50,438
Total program expenses	393,160	-	-	393,160
Management and general Administrative	164,324	-	-	164,324
Total expenses	557,484	-	-	557,484
Other Income				
Interest	9,453	-	-	9,453
Change in Net Assets	(105,281)	(2,461)	-	(107,742)
Net Assets				
Beginning of year	2,030,023	49,138	44,301	2,123,462
End of year	\$ 1,924,742	\$ 46,677	\$ 44,301	\$ 2,015,720
Classification of Net Assets				
Without donor restrictions	\$ 1,924,742	\$ -	\$ -	\$ 1,924,742
With donor restrictions	-	46,677	44,301	90,978
Total net assets	\$ 1,924,742	\$ 46,677	\$ 44,301	\$ 2,015,720

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 by management to provide further information and analysis of the activities of the Auxiliary.