

**STUDENT SENATE FOR
CALIFORNIA COMMUNITY
COLLEGES**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2023 AND 2022**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Student Senate for California Community Colleges
Sacramento, California**

Opinion

We have audited the accompanying financial statements of Student Senate for California Community Colleges (Student Senate), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Student Senate as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Student Senate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Student Senate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 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, 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 Student Senate'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 Student Senate'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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

January 10, 2024

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 323,207	\$ 1,434,666
Investments	2,738,664	986,707
Accounts receivable	46,342	75,282
Prepaid expenses	<u>26,624</u>	<u>3,012</u>
Total current assets	3,134,837	2,499,667
OPERATING LEASE, RIGHT-OF-USE ASSET	<u>961,863</u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,096,700</u>	<u>\$ 2,499,667</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 78,713	\$ 59,779
Current portion of operating lease liability	<u>93,701</u>	<u> </u>
Total current liabilities	172,414	59,779
OPERATING LEASE LIABILITY, Net	<u>887,706</u>	<u> </u>
TOTAL LIABILITIES	<u>1,060,120</u>	<u>59,779</u>
NET ASSETS:		
Net assets without donor restrictions	2,940,028	2,248,546
Net assets with donor restrictions	<u>96,552</u>	<u>191,342</u>
Total net assets	<u>3,036,580</u>	<u>2,439,888</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,096,700</u>	<u>\$ 2,499,667</u>

The accompanying notes are an integral part of these financial statements.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Student representation fees	\$ 1,846,896	\$ 1,998,342
Conference fees	215,014	142,439
Investment income (loss)	51,956	(13,091)
Miscellaneous revenue		5,400
Net assets released from restriction	<u>142,290</u>	<u>140,770</u>
Total revenues	<u>2,256,156</u>	<u>2,273,860</u>
EXPENSES:		
Program expenses	1,532,190	973,125
General and administrative	<u>32,484</u>	<u>151,328</u>
Total expenses	<u>1,564,674</u>	<u>1,124,453</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>691,482</u>	<u>1,149,407</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Grants	47,500	303,500
Net assets released from restriction	<u>(142,290)</u>	<u>(140,770)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(94,790)</u>	<u>162,730</u>
INCREASE IN NET ASSETS	596,692	1,312,137
NET ASSETS, Beginning of year	<u>2,439,888</u>	<u>1,127,751</u>
NET ASSETS, End of year	<u>\$ 3,036,580</u>	<u>\$ 2,439,888</u>

The accompanying notes are an integral part of these financial statements.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2023 AND 2022

<u>2023</u>	<u>Program expenses</u>	<u>General and administrative</u>	<u>Total</u>
Meetings & conference	\$ 613,011		\$ 613,011
Personnel	500,154	\$ 20,840	520,994
Professional services	179,875	7,495	187,370
Stipends	136,170		136,170
Rent expense	39,445	1,644	41,089
Computers & equipment	31,908	1,330	33,238
Office expense	24,620	883	25,503
Miscellaneous expenses	<u>7,007</u>	<u>292</u>	<u>7,299</u>
Total	<u>\$ 1,532,190</u>	<u>\$ 32,484</u>	<u>\$ 1,564,674</u>

<u>2022</u>	<u>Program expenses</u>	<u>General and administrative</u>	<u>Total</u>
Meetings & conference	\$ 392,879		\$ 392,879
Personnel	314,521	\$ 78,630	393,151
Professional services	151,881	67,796	219,677
Stipends	92,665		92,665
Rent expense	3,934	983	4,917
Computers & equipment	3,963	991	4,954
Office expense	9,995	2,499	12,494
Miscellaneous expenses	<u>3,287</u>	<u>429</u>	<u>3,716</u>
Total	<u>\$ 973,125</u>	<u>\$ 151,328</u>	<u>\$ 1,124,453</u>

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 596,692	\$ 1,312,137
Reconciliation to net cash provided by operating activities:		
Net realized/unrealized (gain) loss on investments	(21,030)	15,921
Reduction in operating lease, right-of-use asset	20,704	
Changes in:		
Accounts receivable	28,940	(28,593)
Prepaid expenses	(23,612)	6,333
Accounts payable and accrued expenses	18,934	27,336
Operating lease liability	(1,160)	
Net cash provided by operating activities	<u>619,468</u>	<u>1,333,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,173,250)	(1,002,628)
Proceeds from sale of investments	<u>1,442,323</u>	
Net cash used by investing activities	<u>(1,730,927)</u>	<u>(1,002,628)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,111,459)	330,506
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,434,666</u>	<u>1,104,160</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 323,207</u>	<u>\$ 1,434,666</u>
NON-CASH INVESTING ACTIVITIES:		
Acquisition of right-of-use asset through lease liability	<u>\$ 982,567</u>	<u>\$</u>

The accompanying notes are an integral part of these financial statements.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Student Senate for California Community Colleges (Student Senate) is a nonprofit corporation that endeavors to improve student access, promote student success, engage and empower local student leaders, and enrich the collegiate experience for all California community college students. The Student Senate represents about 1.8 million community college students of the California Community College System in state-level shared governance and legislative advocacy, and fulfills responsibilities regarding student representation, collaboration, accountability, communication, and strategic advocacy.

During 2017, the Student Senate entered into a Memorandum of Understanding (MOU) with the California Community College Chancellor's Office (CCCCO) and the Board of Governors of the California Community Colleges (BOG) to authorize the Student Senate to operate as the official statewide community college student organization pursuant to California Education Code Section 76060.5, and to establish the terms and conditions of that relationship. The 2017 MOU was updated in 2020 to "establish the conditions under which the Student Senate will continue to operate as the statewide community college student organization recognized by the Board of Governors." The MOU remains in place for the 2022-23 fiscal year.

The BOG and/or CCCCCO has sole custody of student representation fees until the prescribed disbursement date of April 15, as long as Student Senate satisfies the requirements of the Education Code set forth in the MOU.

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Student Senate reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Revenue recognition – Student representation fees are collected by CCCCCO for spring and fall semesters, but the final accounting and disbursement to Student Senate does not occur until April 15 of the year following such collection. Accordingly, such fees are not recognized as revenue until received by Student Senate.

The Student Senate's revenue generated from contracts with customers consists of conference fees. Revenues are recognized when the related event occurs. Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability. Receivables from contracts with customers are \$46,342, \$13,282, and \$1,800 as of June 30, 2023, 2022, and 2021, respectively.

Contributions from CCCCCO are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose.

Cash and cash equivalents – For financial statement purposes, the Student Senate considers all investments with a maturity at purchase of three months or less to be cash equivalents.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The Student Senate maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Student Senate's deposits held with financial institutions in excess of federal depository insurance limits were \$73,007 and \$1,184,666 as of June 30, 2023 and 2022, respectively. The Student Senate has not experienced any losses in such accounts. Management believes the Student Senate is not exposed to any significant credit risk related to cash.

Receivables – Accounts receivable represent amounts which the Student Senate has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. No allowance has been established as of June 30, 2023 and 2022 as management has determined that accounts receivable are fully collectable.

Investments are stated at fair value.

Leases – The Student Senate determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent. The Student Senate uses the rate implicit in the lease if it is determinable. If the rate is not determinable, management uses the Student Senate's incremental borrowing rate based on the information available at lease commencement. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. The Student Senate does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income taxes – The Student Senate is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

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

Functional allocation of 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 expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Professional services and personnel expenses are allocated based on estimates of time and effort. All other expenses are recorded on a direct expense basis.

Recent accounting pronouncements – Effective July 1, 2022, the Student Senate adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach with July 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. There was no cumulative effect adjustment to net assets, assets or liabilities at the transition date.

Subsequent events have been evaluated through January 10, 2024, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in the financial statements.

Reclassifications – Certain 2022 amounts have been reclassified to conform with the 2023 financial statement presentation.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures within one year of the statement of financial position date, are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 323,207	\$ 1,434,666
Investments	2,738,664	986,707
Accounts receivable	46,342	75,282
Total financial assets	<u>3,108,213</u>	<u>2,496,655</u>
Less amounts unavailable for general expenditures within one year due to:		
Restrictions by donors for purpose	<u>(96,552)</u>	<u>(191,342)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,011,661</u>	<u>\$ 2,305,313</u>

As part of the Student Senate's liquidity management strategy, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. Additionally, the Student Senate invests cash in short-term highly liquid investments and money market accounts.

3. INVESTMENTS

Mutual funds and equities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices with reasonable levels of price transparency. U.S. Treasury bills are classified within Level 2 of the hierarchy because they are valued using alternative pricing methods using observable information inputs, such as quoted market prices for the underlying securities they are invested in. Investments consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,340	\$ 10,111
Fixed income:		
U.S. Treasury bills	1,708,358	
Bond funds:		
Intermediate core	214,733	216,472
Short government	394,390	585,459
Exchange traded funds:		
Foreign large blend	71,699	28,817
Diversified emerging markets	34,076	16,099
Equity:		
Large blend	<u>312,068</u>	<u>129,749</u>
Total	<u>\$ 2,738,664</u>	<u>\$ 986,707</u>

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

4. LEASES

In April 2023, the Student Senate entered into a lease agreement for office space through June 2033, which is included on the statement of financial position as of June 30, 2023 as an ROU asset and operating lease liability of \$961,863 and \$981,407, respectively. The Student Senate includes renewal options in the determination of the right-of-use asset and lease liability when the options are reasonably certain to be exercised.

The ROU asset and operating lease liability were calculated using the Student Senate's incremental borrowing rate of 2.96%. Cash paid for amounts included in the measurement of the operating lease liability totaled \$8,449 for 2023.

Maturities of the lease liability for this lease are as follows for the year ending June 30:

2024	\$	93,701
2025		105,219
2026		108,375
2027		111,627
2028		114,975
Thereafter		<u>605,331</u>
Total lease payments		1,139,228
Less: present value discount		<u>(157,821)</u>
Total operating lease liability	\$	<u>981,407</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets contain the following donor restrictions as of June 30:

	<u>2023</u>	<u>2022</u>
Financial Aid Coalition and strengthen technological capacity Scholarships	\$ 96,552	\$ 190,842
		<u>500</u>
Total net assets with donor restrictions	<u>\$ 96,552</u>	<u>\$ 191,342</u>