

**STUDENT SENATE FOR
CALIFORNIA COMMUNITY
COLLEGES**

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

**YEARS ENDED JUNE 30, 2019 (AUDITED)
AND 2018 (REVIEWED)**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Student Senate for California Community Colleges (Student Senate), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Student Senate for California Community Colleges as of June 30, 2019, 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 2018 Financial Statements

The 2018 financial statements were reviewed by us and our report thereon, dated February 27, 2019, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

November 5, 2019

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 241,081	\$ 261,463
Accounts receivable	12,058	
Prepaid expenses	<u> </u>	<u>5,500</u>
Total current assets	253,139	266,963
FUNDS HELD BY CCCCCO	<u>71,679</u>	<u>49,268</u>
TOTAL ASSETS	<u>\$ 324,818</u>	<u>\$ 316,231</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	<u>\$ 5,237</u>	<u>\$ 16,718</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Undesignated	247,902	250,245
Contingency reserve	<u>71,679</u>	<u>49,268</u>
Total net assets without donor restrictions	<u>319,581</u>	<u>299,513</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 324,818</u>	<u>\$ 316,231</u>

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF ACTIVITIES YEARS ENDED JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	<u>2019</u>	<u>2018</u>
REVENUES:		
Student representation fees	\$ 149,409	\$ 242,216
Conference fees	276,180	72,786
Contributions from CCCCCO	26,992	
Total revenues	<u>452,581</u>	<u>315,002</u>
EXPENSES:		
Program expenses	341,577	57,284
General and administrative	90,936	44,453
Total expenses	<u>432,513</u>	<u>101,737</u>
INCREASE IN NET ASSETS	20,068	213,265
NET ASSETS, Beginning of year	<u>299,513</u>	<u>86,248</u>
NET ASSETS, End of year	<u>\$ 319,581</u>	<u>\$ 299,513</u>

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

<u>2019</u>	<u>Program expenses</u>	<u>General and administrative</u>	<u>Total</u>
Training & conferences	\$ 287,245	\$ 15,293	\$ 302,538
Foundation management fee		36,000	36,000
Professional services	13,742	17,510	31,252
Travel expense	29,425	14,508	43,933
Facilities expense	3,321	7,625	10,946
Equipment & supplies	<u>7,844</u>	<u></u>	<u>7,844</u>
Total	<u>\$ 341,577</u>	<u>\$ 90,936</u>	<u>\$ 432,513</u>

<u>2018</u>	<u>Program expenses</u>	<u>General and administrative</u>	<u>Total</u>
Training & conferences	\$ 6,022	\$ 4,948	\$ 10,970
Foundation management fee		36,000	36,000
Professional services	4,846	1,997	6,843
Travel expense	46,030		46,030
Facilities expense	<u>386</u>	<u>1,508</u>	<u>1,894</u>
Total	<u>\$ 57,284</u>	<u>\$ 44,453</u>	<u>\$ 101,737</u>

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 20,068	\$ 213,265
Reconciliation to net cash provided (used) by operating activities:		
Changes in:		
Student representation fees receivable from CCCCCO		86,248
Accounts receivable	(12,058)	
Prepaid expenses	5,500	(5,500)
Funds held by CCCCCO	(22,411)	(49,268)
Accounts payable	(11,481)	16,718
Net cash provided (used) by operating activities	<u>(20,382)</u>	<u>261,463</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (20,382)	 261,463
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>261,463</u>	 <u>0</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 241,081</u>	 <u>\$ 261,463</u>

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

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 2.4 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 MOU provides that Student Senate will be eligible to receive student representation fees collected by CCCCCO by meeting certain obligations and addressing goals identified in the MOU. In addition to such fees, the CCCCCO will provide Student Senate with an annual financial contribution intended to help Student Senate reach its goals, so long as they are not used for legislative or lobbying activity. Once the Student Senate reaches \$1 million in student representation fees in any given fiscal year, the CCCCCO's contributions will end beginning in the following 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. The BOG and/or CCCCCO retains 15% of student representation fees as contingency reserve funds. The contingency reserve funds may only be used by Student Senate upon written approval by the Chancellor of the CCCCCO.

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities.

Revenue recognition – The CCCCCO collects student representation fees 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. Other revenues are recognized when earned.

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.

The Student Senate maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The cash balance at June 30, 2019 did not exceed the federally insured limits. 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.

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

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

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 providing program and other activities have been summarized on a functional basis in the statements of activities. All expenses are recorded on a direct expense basis.

New accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Student Senate has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of the liquidity disclosure which has not been applied for the year ended June 30, 2018 as allowed by the transition guidance of this ASU.

Recently issued accounting pronouncement – In May 2014, the FASB issued ASU No. 2014-09, *Revenue with Contract from Customers (Topic 606)*. The new accounting standard develops a common revenue standard that will remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this statement is effective for the year ending June 30, 2020. The Student Senate is currently evaluating the impact this pronouncement will have on its financial statements.

Subsequent events have been evaluated through November 5, 2019, the date of the independent accountant's review report. Management concluded that no material subsequent events have occurred since June 30, 2019 that require recognition or disclosure in the financial statements.

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:

Cash and cash equivalents	\$ 241,081
Accounts receivable	<u>12,058</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 253,139</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. As more fully described in Note 1, the BOG and/or CCCCCO retains 15% of the student representation fees as a contingency reserve and may only be used by the California Community Colleges Student Senate upon written approval by the Chancellor of the CCCCCO.

STUDENT SENATE FOR CALIFORNIA COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 (AUDITED) AND 2018 (REVIEWED)

3. MANAGEMENT SERVICES AGREEMENT

In 2017, the Student Senate entered into an agreement with the Foundation for California Community Colleges (FCCC) to obtain management services. Such services include assistance with leadership development, planning, budgeting and fiscal management, website development, risk management, human resources consulting, and other services.

Initial fees during Student Senate's start-up period range from \$2,000-\$4,000 per month. Once this period has been determined to be complete, ongoing services will bear a fee of 15% of Student Senate's total expenses. Additional fees may be assessed for other services which may be requested. The term of the agreement coincides with the MOU terms between Student Senate and CCCCCO. Fees paid to FCCC for each of the years ended June 30, 2019 and 2018 totaled \$36,000.