

ATTACHMENT 2:

GVCC Audit

GOLETA VALLEY COMMUNITY CENTER

FINANCIAL STATEMENTS

JUNE 30, 2015

GOLETA VALLEY COMMUNITY CENTER
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Goleta Valley Community Center

We have audited the accompanying financial statements of Goleta Valley Community Center (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2015, 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 Statement

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 (GAAP); 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 (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Goleta Valley Community Center as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with GAAP.

Santa Barbara, California
October 7, 2015

GOLETA VALLEY COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current Assets

Cash and cash equivalents available for:

Goleta Valley Community Center	\$ 362,638
Goleta Valley Senior Center	12,218

Total cash and cash equivalents	374,856
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Accounts receivable, net of allowance for doubtful accounts of \$2,399	2,152
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Total Current Assets	377,008
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Property and Equipment

Building and property improvements	157,637
Furnishings and equipment	70,534

Subtotal: property and equipment	228,171
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Less: Accumulated depreciation	(201,148)
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Total Property and Equipment, net	27,023
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Total Assets	\$ 404,031
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 1,155
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Accrued payroll liabilities	4,170
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Short term tenant deposits	2,140
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Total Current Liabilities	7,465
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Long Term Tenant Deposits	6,000
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Total Liabilities	13,465
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Net Assets

Unrestricted net assets	388,566
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Temporarily restricted net assets	2,000
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Total Net Assets	390,566
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Total Liabilities and Net Assets	\$ 404,031
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See accompanying notes

GOLETA VALLEY COMMUNITY CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>All Funds Total</u>
Revenue and Support			
Public Support:			
Contributions and grants	\$ 66,000	\$ 2,000	\$ 68,000
User fees	156,834	-	156,834
Rental income	220,985	-	220,985
Equipment rental and other usage income	5,566	-	5,566
Program income:			
General programs	12,954	-	12,954
Senior Center income	16,894	-	16,894
Total Public Support	<u>479,233</u>	<u>2,000</u>	<u>481,233</u>
Other Revenue:			
Interest, dividend and other income	4,825	-	4,825
Total Other Revenue	<u>4,825</u>	<u>-</u>	<u>4,825</u>
Total Revenue and Support	<u>484,058</u>	<u>2,000</u>	<u>486,058</u>
Expenses			
Program Services:			
General programs	242,280	-	242,280
Senior Center program	98,918	-	98,918
Total Program Services	<u>341,198</u>	<u>-</u>	<u>341,198</u>
Support Services:			
General and administrative	95,435	-	95,435
Fund development	3,755	-	3,755
Total Support Services	<u>99,190</u>	<u>-</u>	<u>99,190</u>
Total Expenses	<u>440,388</u>	<u>-</u>	<u>440,388</u>
Change in Net Assets	43,670	2,000	45,670
Net Assets at Beginning of Year	<u>344,896</u>	<u>-</u>	<u>344,896</u>
Net Assets at End of Year	<u>\$ 388,566</u>	<u>\$ 2,000</u>	<u>\$ 390,566</u>

See accompanying notes

GOLETA VALLEY COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	General Program Services	Senior Center Program	General and Adminis- trative	Fund- raising/ Support	Totals
Salaries and wages	\$ 137,974	\$ 59,844	\$ 36,823	\$ 2,136	\$ 236,777
Payroll taxes	10,091	5,046	5,046	-	20,183
Employee benefits	30,222	15,111	15,111	-	60,444
Total employee expenses	178,287	80,001	56,980	2,136	317,404
Advertising and promotion	-	-	-	1,230	1,230
Change in allowance	937	-	-	-	937
Insurance	8,317	4,158	4,158	-	16,633
Licenses and permits	-	-	388	-	388
Office expense	-	-	7,281	-	7,281
Printing, postage, and copy	-	-	85	85	170
Professional services and fees	-	-	11,873	-	11,873
Program supplies and expenses	10,848	4,649	-	-	15,497
Repairs and maintenance	21,048	4,510	4,510	-	30,068
Telephone and internet expenses	-	608	5,168	304	6,080
Travel and mileage expenses	341	170	170	-	681
Utilities expenses	21,435	4,593	4,593	-	30,621
Total expenses before depreciation expense	241,213	98,689	95,206	3,755	438,863
Depreciation expense	1,067	229	229	-	1,525
Total Expenses June 30, 2015	\$ 242,280	\$ 98,918	\$ 95,435	\$ 3,755	\$ 440,388

See accompanying notes

GOLETA VALLEY COMMUNITY CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Change in net assets	\$ 45,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	1,525
Change in allowance for doubtful accounts	937
Changes in:	
Accounts receivable	(2,602)
Accounts payable	1,155
Accrued payroll liabilities	1,775
Short term refundable advances	450
Long term refundable advances	5,950
Net Cash Provided by Operating Activities	<u>54,860</u>
Cash Flows from Investing Activities:	
Purchase of fixed assets	<u>(1,957)</u>
Net Cash Used by Investing Activities	<u>(1,957)</u>
Cash Flows from Financing Activities:	
Repayment of note receivable	<u>823</u>
Net Cash Provided by Financing Activities	<u>823</u>
Net Increase in Cash and Cash Equivalents	53,726
Beginning Cash and Cash Equivalents	<u>321,130</u>
Ending Cash and Cash Equivalents	<u>\$ 374,856</u>

See accompanying notes

GOLETA VALLEY COMMUNITY CENTERNOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

Goleta Valley Community Center ("GVCC") is a California nonprofit public benefit corporation established to encourage and promote community activities and non-profit organizations, and to provide including a full range of senior services and activities, by providing low cost meeting space and class room settings for residents living in Goleta, California, and the adjacent County of Santa Barbara, California.

GVCC's programs include:

General Programs: GVCC is established to provide a facility where members of the public, as individuals, groups, or organizations, may meet for discussion of matters of general or public interest or may engage in recreational, educational, social, political, and other activities. We have a number of user groups that provide levels of services to the community. These groups include, and are not limited to: faith-based, educational, non-profit, commercial, recreational, and/or general public users. These groups book regularly month-to-month, or are single use rentals or long term rentals. General programs also include providing use of space and facilities for three major holiday events: Christmas, Veteran's Day, and Senior Party Day.

Senior Center Program: GVCC offers a wide variety of activities for our registered seniors. We provide a number of different rooms for the various passive and active recreational opportunities, which include line dancing, chair yoga, Tai Chi, porcelain painting, bridge, bingo, sew bunka, knitting, Community Action Commission senior nutrition, Santa Barbara County Foodbank brown bag program, Aqua Aerobics (at Dos Pueblos High School), swing along dance program, tap dancing, Legal Aid Foundation legal assistance, AARP Tax Assistance, and HiCAP counseling services. The length of time is dependent upon the program, however, most programs offer 45 minute to 1 hour segments one to two times per week.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESBasis of Accounting

GVCC's books are prepared on the accrual basis of accounting. Thus, income is recorded when it is earned and expenses are recognized when GVCC is liable for payment.

Financial Statement Presentation

GVCC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets based upon the existence or absence of donor imposed restrictions, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Unrestricted net assets are those net assets which are received without donor restriction, those net assets for which donor restrictions have been fulfilled, or those for which the Board has designated to fulfill a specific purpose.

GOLETA VALLEY COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets: Temporarily restricted net assets consist of funds or other inflows temporarily subject to donor imposed restrictions which will be satisfied by particular expenditures or the passage of time.

Permanently Restricted Net Assets: Permanently restricted net assets consist of contributions and other inflows restricted in perpetuity by the donor, such as an endowment. GVCC had no permanently restricted net assets at year end.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid interest-earning deposits, non-interest bearing accounts, and certificates of deposits (CDs) to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Management reviews the collectability of receivables based on the renter's history and current financial condition and ability to pay, and records an allowance for amounts estimated to be uncollectible. Based on Management's review, an allowance for doubtful accounts receivable of \$2,399 has been recorded for the year ended June 30, 2015.

Property and Equipment

Property and equipment that are purchased are recorded at cost and if donated at fair market value. GVCC's policy is to capitalize fixed assets with a cost or donated value of \$1,000 or more and a useful life of greater than one year. Expenditures which substantially extend the useful life of the property are capitalized. Maintenance and repairs are charged to operations as incurred.

Depreciation is provided on a straight-line basis over the estimated useful life of the assets as follows:

Buildings and property improvements	20-40 years
Furnishings and equipment	3-20 years

Fair Value of Financial Instruments

The fair value of current assets and current liabilities approximates carrying value because of the short-term nature of these items. The fair value of long term tenant deposits approximates carrying value because the underlying resource is cash.

Revenue Recognition

Revenue from user fees, program income, and rents for 30 days or more received in advance are recorded as deferred revenue and recognized as user fee, program, and rental income in the period earned. For special events and similar non-recurring activities, GVCC recognizes revenue when the event occurs.

GOLETA VALLEY COMMUNITY CENTERNOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Tenant Deposits

GVCC receives a deposit from the tenant upon signing any lease of 30 days or more. Revenue from deposits is recognized upon the termination of the lease for any amounts not refunded to the vacating tenant.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. However, if the restriction is fulfilled in the same time period in which the contribution is received, GVCC reports the support as unrestricted.

Recognition of Donor Restrictions

Donor-restricted support is recorded as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Functional Expenses

GVCC allocates its expenditures on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Significant estimates used in preparing these financial statements include: 1) allocation of certain expenses by function and 2) an allowance for doubtful accounts receivable.

In addition, another estimate used in preparing these financial statements was for depreciable lives and estimated residual values of property and equipment.

It is at least reasonably possible that the estimates used will change within the next year.

Income Taxes

GVCC is exempt from taxes on income under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. GVCC is not considered a private foundation. GVCC is unaware of any uncertain tax positions at June 30, 2015, or for any year for which the statute of limitations is open.

GOLETA VALLEY COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$2,000 as of June 30, 2015, are restricted for the senior aquatic swimming program.

NOTE 4: RENTAL INCOME

Prior to yearend, and commencing July 1, 2015, GVCC entered into one two year sublease and three one year sublease agreements, several month-to-month agreements, as well as occasional one day leases. The future minimum rentals to be received under the non-cancelable long term operating sublease agreement, without regard to cost of living increases, is \$125,406 for the years ended June 30, 2016 and 2017, respectively.

NOTE 5: CONTINGENCIES

GVCC's long term lease with County of Santa Barbara, assigned to the City of Goleta when the City of Goleta formed in 2002, had an original expiration date of June 30, 2014. After the City of Goleta purchased the property in July 2013, the lease became a month-to-month lease. GVCC uses a building and surrounding property owned by the City of Goleta for all of its operations. GVCC pays for all maintenance and repairs and utilities costs associated with the use of the building and surrounding property. GVCC and the City of Goleta are currently negotiating a lease for use of the building and surrounding property. GVCC may be subjected to lease and/or similar charges due to the City of Goleta for use of the building and surrounding property once the negotiated lease commences.

NOTE 6: RELATED PARTIES

GVCC has an established procedure to determine potential conflicts of interest between GVCC's staff and board members and other non-affiliated organizations, and those with conflicts are to recuse themselves from both discussion and voting. The GVCC By-Laws require one board member to be a representative of the City of Goleta, which is the landlord of GVCC. During the year ended June 30, 2015, this board member has been and continues to be involved in an ongoing lease negotiation between GVCC and the City of Goleta. At the end of September 2015, a new representative of the City of Goleta joined GVCC's board of directors. This new representative is not involved in the lease negotiation process, and he will recuse himself from the City of Goleta's vote on approval of the negotiated lease agreement.

An employee repaid the remaining balance of a loan due to GVCC of \$823 during the year ended June 30, 2015.

GOLETA VALLEY COMMUNITY CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CONCENTRATION OF RISK

As part of its cash management procedure, GVCC maintains cash balances at several banks. Cash balances held at these banks are insured through the standard Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor and per bank institution. At June 30, 2015, GVCC had no uninsured balances held in bank accounts.

One tenant's rent is approximately 57% of total rental income.

NOTE 8: DONATED SERVICES AND USE OF FACILITY

GVCC receives donated services from numerous unpaid volunteers. In accordance with accounting standards, only those services provided by professionals are recorded in these financial statements. Consequently, values for volunteer programs and office/facility programs, as well as board service, have not been recognized in the accompanying statement of activities because the criteria for financial statement recognition of such volunteer efforts have not been satisfied. Volunteers donated approximately 1,060 hours for the year ended June 30, 2015.

As a part of its mission, GVCC also provides free and discounted use of space in the facility for numerous public sector and non-profit organizations serving the Goleta, California, community. The estimated value of gift in kind income for the year ended June 30, 2015, was approximately \$120,000.

A contractor for the City of Goleta provided utility services of \$4,083 to GVCC free of charge during the year ended June 30, 2015.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 2015, which is the date the financial statements were available to be issued pending final approval by the Board of Directors. Management has determined no subsequent events requiring disclosure or significantly impacting disclosure have occurred other than the following:

On September 29, 2015, GVCC settled a legal matter in the amount of \$7,341.