

THE FINANCIAL STATEMENTS OF
FOOTHILL-DE ANZA ASSOCIATION OF
CLASSIFIED EMPLOYEES, INC.



FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021



ISLIP+COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Executive Board
FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

Opinion

We have audited the accompanying financial statements of **Foothill-De Anza Association of Classified Employees, Inc.** (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - *modified cash basis* as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net assets and functional expenses - *modified cash basis* 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 assets, liabilities and net assets of **Foothill-De Anza Association of Classified Employees, Inc.** as of June 30, 2022 and 2021, and its revenues and expenses for the years then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Foothill-De Anza Association of Classified Employees, Inc.** and to meet our 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 the modified cash basis of accounting as described in Note 2, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 **Foothill-De Anza Association of Classified Employees, Inc.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 **Foothill-De Anza Association of Classified Employees, Inc.**'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 **Foothill-De Anza Association of Classified Employees, Inc.**'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.

Islip + Company, LLP

Islip + Company, LLP

Sacramento, California
September 16, 2022



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 723,278	\$ 641,486
Prepaid legal	9,750	-
Total current assets	733,028	641,486
Property and equipment, net	4,021	7,290
Total Assets	\$ 737,049	\$ 648,776
 LIABILITIES AND NET ASSETS		
Current Liabilities		
None	\$ -	\$ -
Total current liabilities	-	-
Net assets		
Without donor restrictions	737,049	648,776
With donor restrictions	-	-
Total net assets	737,049	648,776
Total Liabilities and Net Assets	\$ 737,049	\$ 648,776

See accompanying notes



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Gains		
Membership dues	\$ 241,520	\$ 60,807
Interest income	60	184
Total Revenues and Gains Without Donor Restrictions	241,580	60,991
Net Assets Released from Restrictions		
Restriction satisfied by expenditure for specified purpose	-	-
Total Net Assets Released From Restrictions	-	-
Total Revenues, Gains and Other Support Without Donor Restrictions	241,580	60,991
Functional Expenses		
Promote Member Benefits	124,794	124,039
Management & General	28,513	21,987
Total Functional Expenses	153,307	146,026
Increase in Net Assets Without Donor Restrictions	88,273	(85,035)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Net assets released from restrictions	-	-
Change in Net Assets With Donor Restrictions	-	-
CHANGE IN NET ASSETS	88,273	(85,035)
NET ASSETS AT BEGINNING OF YEAR	648,776	733,811
NET ASSETS AT END OF YEAR	\$ 737,049	\$ 648,776

See accompanying notes



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Promote Member Benefits</u>	<u>Management & General</u>	<u>Total</u>
Accounting and auditing	\$ -	\$ 9,070	\$ 9,070
Depreciation	-	3,269	3,269
Dues and subscriptions	403	217	620
Insurance	-	4,282	4,282
Legal fees and costs	102,343	5,387	107,730
Mileage, travel and meetings	2,930	977	3,907
Officer stipends	18,561	3,276	21,837
Supplies and postage	354	2,005	2,359
Taxes and licenses	-	30	30
Website	203	-	203
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 124,794	\$ 28,513	\$ 153,307

See accompanying notes



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Promote Member Benefits</u>	<u>Management & General</u>	<u>Total</u>
Accounting and auditing	\$ -	\$ 4,500	\$ 4,500
Bank fees	-	64	64
Depreciation	-	4,140	4,140
Dues and subscriptions	325	175	500
Election expense	118	-	118
Financial consultant	-	300	300
Insurance	-	4,538	4,538
Legal fees	108,537	5,713	114,250
Mileage, travel and meetings	15	5	20
Officer stipends	14,825	2,475	17,300
Supplies and postage	-	67	67
Taxes and licenses	-	10	10
Website	219	-	219
TOTAL EXPENSES	<u>\$ 124,039</u>	<u>\$ 21,987</u>	<u>\$ 146,026</u>

See accompanying notes



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES

Foothill-De Anza Association of Classified Employees, Inc., is a non-profit mutual benefit corporation with the express purpose of providing representation to classified employees of Foothill-De Anza Community College District related to their terms and conditions of employment pursuant to Section 3540 of the California Government Code. The primary source of revenue for the Association are dues.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The financial statements of the Association have been prepared on a modified cash basis. Accordingly, revenues are generally recognized when received rather than when earned and expenses are generally recognized when paid rather than when an obligation has been incurred. The Association does provide for depreciation of its capital assets. The modified cash basis of accounting used by the Association is not intended to present financial position or results of operations in conformity with generally accepted accounting principles. Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. The Association's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the non-profit organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Estimates:

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



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Property and Equipment:

The Association capitalizes property and equipment, when applicable. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Maintenance and repairs are charged to expense when incurred.

Cash and Cash Equivalents:

For purposes of the statement of assets, liabilities, and net assets - *modified cash basis*, the Association considers all highly liquid investments available for current use, including money market accounts, to be cash equivalents.

Income Tax Status:

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(5) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Revenue Recognition and Contracts with Customers:

Revenue from contracts with customers, disaggregated by type, is depicted on the face of the statement of revenues, expenses and changes in net assets - *modified cash basis*. The Association receives the majority of its income from member dues, which is an exchange transaction. Member dues are billed and received monthly. As the Association provides ongoing services to its members, the Association satisfies its contractual obligations monthly by transferring the promised services to the customer throughout the period. As such, there is no unfulfilled contract (liability) at the end of the month or year-end, and therefore there is no liability account for deferred income on those revenues.

Certain portions of the member dues may be considered contributions to the Association's various funds. Contributions are recognized as revenues or gains in the period they are received, even if the donor has restricted their use and the restriction will be met in a future reporting period. As a result, contributions are recorded immediately as increases in the appropriate class of net assets, depending on the existence or absence of the donor restrictions.



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Contributions:

As noted above, contributions are recognized when received and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses and changes in net assets - *modified cash basis* as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Functional Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of revenues, expenses and changes in net assets - *modified cash basis*. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated, and their basis for allocation, are as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Dues and subscriptions	Based on Usage
Legal Fees	Time and Effort
Mileage, travel & meetings	Time and Effort
Officer stipends	Time and Effort

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Association maintains cash accounts with two banking institutions. The federal government, FDIC, guarantees cash up to \$250,000 for each institution. At June 30, 2022 and 2021, the Association had \$348,695 and \$348,636, respectively, in excess of the maximum guaranteed limit.



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of the statement of assets, liabilities, and net assets - *modified cash basis* date, reduced by amounts not available for general use because of donor-imposed restriction within one year of the statement of assets, liabilities, and net assets - *modified cash basis* date.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Financial assets at year-end	\$ 737,049	\$ 648,776
Less those unavailable for general expenditures within one year, due to:		
With donor-restrictions	_____ -	_____ -
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 737,049</u></u>	<u><u>\$ 648,776</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

As of June 30, 2022 and June 30, 2021, property and equipment consist of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Furniture and equipment	\$ 30,426	\$ 33,406
Office remodel	<u>9,552</u>	<u>9,552</u>
Total	39,978	42,958
Less accumulated depreciation	<u>(35,957)</u>	<u>(35,668)</u>
Net Book Value	<u><u>\$ 4,021</u></u>	<u><u>\$ 7,290</u></u>

The Association recorded depreciation expense of \$3,269 and \$4,140, respectively, for the years ended June 30, 2022 and 2021.



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEGAL FEES AND COMMITMENTS

The Association is obligated under a long-term contract for labor consulting/attorney services with The Booth Law Group. At June 30, 2021, the Association was operating on a month-to-month, non-contractual basis, until the new contract was entered into on July 1, 2021. The contract is for a monthly fee of \$9,750 and the contract expires on June 30, 2024. The Association paid legal fees in the amount of \$107,250 and \$114,250, respectively, as of June 30, 2022 and 2021. The amount of \$107,250 paid during the year ended June 30, 2022 includes prepaid fees of \$9,750 for the year ended June 30, 2023.

The following is a schedule, by years, of future payments under the new commitment:

Year Ended <u>June 30,</u>	
2023	\$ 117,000
2024	<u>117,000</u>
Total	<u>\$ 234,000</u>

NOTE 7 - CASH AND CASH EQUIVALENTS

At June 30, 2022 and 2021, cash and equivalents consist of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash in banks	\$ 124,582	\$ 42,850
Money Market funds	<u>598,696</u>	<u>598,636</u>
	<u>\$ 723,278</u>	<u>\$ 641,486</u>

NOTE 8 - BOARD-DESIGNATED NET ASSETS

The Association's Board has designated part of the money market funds for certain program needs. These funds are still without donor restriction. Net assets that have been board-designated consist of the following as of June 30, 2022 (net assets were not board-designated in the year ended June 30, 2021):

Strike fund	\$ 500,000
Authorized litigation	25,000
Contingency fund 5% reserve	<u>63,499</u>
	<u>\$ 588,499</u>



FOOTHILL-DE ANZA ASSOCIATION OF CLASSIFIED EMPLOYEES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 16, 2022, the date which these financial statements were available to be issued and determined that there are no subsequent events requiring adjustment to, or disclosure in, the financial statements except for the matter related to the pandemic event. On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic. Management continues to evaluate the potential negative economic impacts resulting from the global COVID-19 pandemic. Given the uncertainty of these circumstances, the related impact on the Association's operations cannot be reasonably estimated at this time.

