Financial Statements
June 30, 2020

Fullerton College Foundation

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

Board of Directors
Fullerton College Foundation
Fullerton, California

Report on the Financial Statements
We have audited the accompanying financial statements of the Fullerton College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, 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 Foundation'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 Foundation'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 the Foundation as of June 30, 2020, 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.

Eide Bailly LLP

Rancho Cucamonga, California
August 19, 2021

Assets	
Current Assets	
Cash and cash equivalents	$ 136,609
Accounts receivable	2,341
Prepaid expense	8,500
Total current assets	147,450
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	245,303
Investments	1,668,785
Property and equipment, net	9,389
Total noncurrent assets	1,923,477
Total assets	$ 2,070,927
Liabilities and Net Assets	
Current Liabilities	
Amounts held for others	$ 82,130
Compensated absences	30,746
Refundable advance - PPP Loan	46,900
Total current liabilities	159,776
Net Assets (Deficit)	
Without donor restrictions	(2,389,839)
With donor restrictions	4,300,990
Total net assets	1,911,151
Total liabilities and net assets	$ 2,070,927

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	$ 155,920	$ 208,862	$ 364,782
In kind contributions	2,630	-	2,630
Donated facilities	10,000	-	10,000
Special events	123,658	-	123,658
Miscellaneous revenue	481	-	481
Assets released from restrictions	348,054	(348,054)	-
Total revenues	640,743	(139,192)	501,551
Expenses			
Program	367,793	-	367,793
Management and general	358,462	-	358,462
Fundraising	24,148	-	24,148
Total expenses	750,403	-	750,403
Other Income (Loss)			
Net realized gain	-	27,858	27,858
Net unrealized loss	-	(82,224)	(82,224)
Interest and dividends	-	79,481	79,481
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	2,130	2,130
Total other income (loss)	-	27,245	27,245
Change In Net Assets	(109,660)	(111,947)	(221,607)
Net Assets, Beginning of Year	(2,280,179)	4,412,937	2,132,758
Net Assets, End of Year	$ (2,389,839)	$ 4,300,990	$ 1,911,151

	Program	Management and General	Fundraising	Total
Salaries and benefits	$ -	$ 219,288	$ 24,148	$ 243,436
Rent	-	10,000	-	10,000
In-kind donations	-	2,630	-	2,630
Scholarships	367,793	-	-	367,793
Office expense	-	4,015	-	4,015
Staff development	-	449	-	449
Conferences and travel	-	72	-	72
Dues, memberships, and subscriptions	-	320	-	320
Professional fees	-	11,675	-	11,675
Postage and printing	-	1,479	-	1,479
Taxes and licenses	-	95	-	95
Special events	-	86,063	-	86,063
Website	-	12,707	-	12,707
Advertising	-	51	-	51
Bank charges	-	403	-	403
Depreciation expense	-	2,919	-	2,919
Insurance	-	3,340	-	3,340
Public relations	-	2,592	-	2,592
Miscellaneous	-	364	-	364
Total expenses	$ 367,793	$ 358,462	$ 24,148	$ 750,403

Operating Activities	
Change in net assets	$ (221,607)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Net unrealized loss	82,224
Net realized gain	(27,858)
Depreciation	2,919
Contributions and grants restricted for long-term purposes	(173,749)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	11,200
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(530)
Changes in assets and liabilities	
Accounts receivable	4,909
Prepaid expense	(500)
Payroll liabilities	(2,931)
Accounts payable	(3,956)
Amounts held for others	(9,226)
Refundable advance - PPP Loan	46,900
Net Cash Flows from Operating Activities	(292,205)
Investing Activities	
Proceeds from sale of investments	276,958
Purchase of investments	(113,947)
Net Cash Flows from Investing Activities	163,011
Financing Activities	
Collections of contributions and grants restricted for long-term purposes	173,749
Change in Cash and Cash Equivalents	44,555
Cash and Cash Equivalents, Beginning of Year	92,054
Cash and Cash Equivalents, End of Year	$ 136,609

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Fullerton College Foundation (the Foundation) is a nonprofit organization founded in 1959 for the purpose of promoting Fullerton College and enhancing the lives of its students by raising and accepting resources for scholarships, grants, programmatic, and institutional support.

Financial Statement Presentation

The Foundation and the District are financially interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others.* Under ASC Topic 958-605, the Foundation 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 the campus activities program.

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 Foundation 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 Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

Net Asset Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset types established according to their nature and purpose. Separate accounts are maintained for each net asset type; however, in the accompanying financial statements, net asset types that have similar characteristics have been combined into groups as follows:

> *Net Assets without Donor Restrictions* - Net assets available for general use 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 Foundation.

> *Net Assets with Donor Restrictions* - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation 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 statement of activities as net assets released from restrictions.

Support and Expenses

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions are recognized as revenue in the period the contribution is made. 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. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College. For June 30, 2020, there were $2,630 in donated items for the events held by the Foundation.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of 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.

Income Taxes

The Foundation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to $250,000. At June 30, 2020, the Foundation did not have any cash balances held in financial institutions in excess of Federal depository insurance coverage.

Prepaid Expense

Prepaid expenses consist of expenses paid for the upcoming 2021 Fullerton College President's Gala. As of June 30, 2020, the Foundation recognized $8,500.

Accounts Receivable

Accounts receivable consists of primarily of receivables related to the Veteran's Resource Center Golf Tournament. Management has deemed all amounts as collectible; therefore, no allowance for doubtful accounts is considered necessary.

Beneficial Interest in Assets held by Community Foundation

The Foundation established an endowment fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Osher Endowment Scholarship program and named the Foundation as a beneficiary. Variance power was granted to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment income is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses.

Capital Assets

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. Depreciation expense is calculated over the estimated useful life of the assets using the straight-line method. Depreciation expense for 2020 amounted to $2,919. 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 improve or extend the useful lives of the respective assets are expensed currently.

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 indications of asset impairment during the year ended June 30, 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. The expenses are generally directly attributable to a functional category with no significant allocations between program and supporting services activities occurring.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08) applicable to contributions received and has early adopted the provisions of contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation’s financial statements.

The Foundation has adopted the provisions of ASU 2018-13, Fair Value Measurement (ASU 2018-13). The amendments in ASU 2018-13 remove, modify, and supplement the disclosure requirements for fair value measurements. These changes did not have a material impact on the Foundation’s financial statements and disclosures. The Foundation has implemented the provisions of this ASU because management believes it improves the Foundation’s financial reporting.

Note 2 - Liquidity and Availability

Financial assets available for general expenditures are those without donor or other restrictions limiting their use within one year of the statement of financial position. At June 30, 2020, the Foundation did not have such financial assets.

Note 3 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the College and its donors have contributed $189,648. As of June 30, 2020, the ending balance of the Osher Endowment Scholarship was $213,958. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes. In 2010, Sempra Energy Foundation provided a total of $250,000 in grants to ten community colleges in California to provide scholarship support for students seeking certification of training for "green" jobs. Each of the selected ten colleges received $25,000 in scholarships. As of June 30, 2020, the ending balance of the Sempra Endowment Scholarship was $31,345. The scholarship is held at the FCCC. The Foundation receives no additional interest or dividends on the balances held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Sempra Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 4 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level I - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II - Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level III - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair values of beneficial interests in charitable trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees.

The following table presents assets measured at fair value on a recurring basis, at June 30, 2020:

	Level I	Level II	Level III	Total
Assets				
Common stock	$ 776,919	$ -	$ -	$ 776,919
Corporate bonds	68,656	-	-	68,656
Mutual funds	823,210	-	-	823,210
Beneficial interest in assets held by the Foundation for California Community Colleges	-	-	245,303	245,303
Total	$ 1,668,785	$ -	$ 245,303	$ 1,914,088

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis.

Note 5 - Property and Equipment

The following is a summary of capital assets as of June 30, 2020:

Depreciable Capital Assets	
Furniture and fixtures	$ 5,849
Machinery and equipment	12,375
Franklin House upgrades	5,049
Total depreciable capital assets	23,273
Less accumulated depreciation	(13,884)
Total capital assets	$ 9,389

Depreciation expense of $2,919 was incurred for the year ending June 30, 2020.

Note 6 - Amounts Held for Others

The Foundation acts as a fiscal agent for departments, organizations, and groups of the College. Accordingly, at June 30, 2020, $82,130 of the Foundation's assets belong to other parties. The Foundation does not have legal access nor any discretion over the amounts held for others behalf.

Note 7 - Compensated Absences

Salaried employees of the Foundation receive paid vacation, which is accrued as a liability as the benefits are earned. At June 30, 2020, the unmatured portion of employee accumulated unused vacation is $30,746.

Note 8 - Restrictions on Net Asset Balances

Donor-restricted net asset with time and/or purpose restrictions consist of the following at June 30, 2020:

Scholarships	$ 94,745
College programs	40,000
Title V scholarships	616,423
Endowments - spendable earnings	(418,420)
Total donor restricted net assets	$ 332,748

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2020:

Endowments - scholarships	$ 3,722,939
Beneficial interest in assets held by the Foundation for California Community Colleges	245,303
Total donor restricted net assets	$ 3,968,242

Note 9 - Endowment Grant

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received $266,573 over a five-year period, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50% of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

Note 10 - Donor Designated Endowments

The Foundation’s endowment consists of 268 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Director to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted funds that is not held in perpetuity is classified as net assets with donor restrictions and may be appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Changes in endowment net assets as of June 30, 2020, are as follows:

	With Donor Restrictions
Endowment Net Assets, Beginning of Year	$ 3,611,231
Contributions	173,749
Investment income	36,996
Amounts appropriated for expenditures	(99,037)
Endowment Net Assets, End of Year	$ 3,722,939

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, funds with original gift values of $3,722,939, fair values of $1,179,949, and deficiencies of $418,420 were reported in net assets with donor restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of indices of similar style funds (e.g. Standard and Poor's 500, Russell 3000, etc.) and/or comparable benchmarks.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of Endowment investments each year to determine the spending amount for the upcoming year. During 2020, the spending rate maximum was 4.0%. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Note 11 - Related Party Transactions

North Orange County Community College District

Under the Master Agreement, North Orange County Community College District (the District) provides office space for the Foundation at no charge. The donated facilities for the fiscal year 2020 amounted to $10,000 and have been reflected in the financial statements as in-kind revenue.

Note 12 - Paycheck Protection Program (PPP) Loan

The Foundation applied for and was granted an $46,900 loan under the Paycheck Protection Program administered by a US Small Business Administration (SBA) approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.

Note 13 - Subsequent Events

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation’s financial position is not known.