Financial Statements
June 30, 2019

Fullerton College Foundation
(A California Nonprofit Corporation)

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FULLERTON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The 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, 2019, and the related statements of activities, cash flows, and functional expenses 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, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* As discussed in Note 14 to the financial statements, certain errors resulting in incorrect classification of net asset restrictions and the understatement of the beneficial interests in assets held by a community foundation previously reported as of June 30, 2018, were discovered by management of the Foundation during the current year. As a result, the financial statements as of and for the year ended June 30, 2018 have been adjusted and restated to adopt this standard and correct the errors. Our opinion is not modified with respect to these matters.

Eide Bailly LLP

Rancho Cucamonga, California
April 27, 2020

FULLERTON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 92,054
Accounts receivable	7,250
Prepaid expense	8,000
Total Current Assets	107,304
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	255,973
Investments	1,883,231
Property and equipment, net	12,308
Total Noncurrent Assets	2,151,512
Total Assets	$ 2,258,816
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 3,956
Amounts held for others	91,356
Compensated absences	30,746
Total Current Liabilities	126,058
NET ASSETS (DEFICIT)	
Without donor restrictions	(2,280,179)
With donor restrictions	4,412,937
Total Net Assets	2,132,758
Total Liabilities and Net Assets	$ 2,258,816

See the accompanying notes to financial statements.

FULLERTON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	$ 105,958	$ 520,332	$ 626,290
In kind contributions	3,809	-	3,809
Donated facilities	10,000	-	10,000
Special events	52,412	-	52,412
Miscellaneous revenue	2,178	-	2,178
Assets released from restrictions	268,845	(268,845)	-
Total Revenues	443,202	251,487	694,689
EXPENSES			
Program	276,486	-	276,486
Management and general	306,409	-	306,409
Fundraising	34,190	-	34,190
Total Expenses	617,085	-	617,085
OTHER INCOME (EXPENSE)			
Net unrealized loss	-	(40,262)	(40,262)
Interest and dividends	-	92,273	92,273
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	13,973	13,973
Total Other Income (Expense)	-	65,984	65,984
CHANGE IN NET ASSETS	(173,883)	317,471	143,588
NET ASSETS, BEGINNING OF YEAR AS RESTATED	(2,106,296)	4,095,466	1,989,170
NET ASSETS, END OF YEAR	$ (2,280,179)	$ 4,412,937	$ 2,132,758

See the accompanying notes to financial statements.

FULLERTON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 143,588
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Unrealized loss	40,262
Depreciation	1,747
Contributions and grants restricted for long-term purposes	(392,446)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	12,467
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(13,973)
Changes in Assets and Liabilities	
Accounts receivable	(7,250)
Payroll liabilities	(2,931)
Accounts payable	3,956
Compensated absences	6,340
Amounts held for others	(5,489)
Net Cash Flows From Operating Activities	(213,729)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(2,171)
Purchase of investments	(293,391)
Net Cash Flows From Investing Activities	(295,562)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions and grants restricted for long-term purposes	392,446
CHANGE IN CASH AND CASH EQUIVALENTS	(116,845)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	208,899
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 92,054

See the accompanying notes to financial statements.

FULLERTON COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program	Management and General	Fundraising	Total
Salaries and benefits	$ -	$ 192,001	$ 34,190	$ 226,191
Rent	-	10,000	-	10,000
In-kind donations	-	3,809	-	3,809
Scholarships	276,486	-	-	276,486
Office expense	-	3,006	-	3,006
Staff development	-	739	-	739
Conferences and travel	-	139	-	139
Dues, memberships, and subscriptions	-	725	-	725
Professional fees	-	2,000	-	2,000
Postage and printing	-	1,591	-	1,591
Taxes and licenses	-	75	-	75
Special events	-	69,682	-	69,682
Website	-	12,550	-	12,550
Advertising	-	143	-	143
Bank charges	-	792	-	792
Depreciation expense	-	1,747	-	1,747
Insurance	-	4,430	-	4,430
Public relations	-	2,974	-	2,974
Miscellaneous	-	6	-	6
TOTAL EXPENSES	$ 276,486	$ 306,409	$ 34,190	$ 617,085

See the accompanying notes to financial statements.

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 have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund 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, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

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, 2019, there were $3,809 in donated items for the events held by the Foundation.

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 reported amounts of assets and liabilities at the reporting date, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

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. The Foundation's Federal informational tax returns for the years ended June 30, 2016, 2017, and 2018, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2015, 2016, 2017, and 2018, are open to audit by State authorities.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the 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, 2019, the Foundation did not have any cash balances held in financial institutions in excess of Federal depository insurance coverage.

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Prepaid Expense

Prepaid expenses consist of expenses paid for the upcoming 2019 Fullerton College President's Gala. As of June 30, 2019, the Foundation recognized $8,000.

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

During 2008, 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 unrealized capital gains and losses.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2019 was $143.

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 2019 amounted to $1,747. 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, 2019.

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

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Under this guidance, the Foundation is required to present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the previously required three classes (unrestricted, temporarily restricted, and permanently restricted).

The Foundation has implemented the provisions of this ASU as of June 30, 2019, because management believes it improves the Foundation's financial reporting.

New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although the full impact of ASU 2016-02 on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the ASU 2018-18 apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

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, 2019, 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, 2019, the ending balance of the Osher Endowment Scholarship was $223,299. 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, 2019, the ending balance of the Sempra Endowment Scholarship was $32,674. 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 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2019:

	Adjusted Cost	Fair Market Value	Unrealized Gain(Loss)
Common stock	$ 778,633	$ 784,955	$ 6,322
Corporate bonds	92,430	93,180	750
Mutual funds	1,052,430	1,005,096	(47,334)
Beneficial Interest in assets held by the Foundation for California Community Colleges	255,973	255,973	-
	$ 2,179,466	$ 2,139,204	$ (40,262)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

	With Donor Restrictions
Interest and dividends	$ 92,273
Net unrealized loss	(40,262)
	$ 52,011

NOTE 5 - INVESTMENT SECURITIES

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in U.S. GAAP under FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level I - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level I assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level II - Observable inputs other than Level I prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level III measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

Assets	Level I	Level II	Level III	Total
Common stock	$ 784,955	$ -	$ -	$ 784,955
Corporate bonds	93,180	-	-	93,180
Mutual funds	1,005,096	-	-	1,005,096
Beneficial Interest in assets held by the Foundation for California Community Colleges	-	-	255,973	255,973
Total	$ 1,883,231	$ -	$ 255,973	$ 2,139,204

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on recurring basis using significant unobservable inputs (Level III) for the year ended June 30, 2019:

	Beneficial Interest in FCCC
Balance, beginning of year	$ 254,467
Investment return, net	13,973
Distributions	(12,467)
Balance, end of year	$ 255,973

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

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Depreciable Capital Assets				
Furniture and fixtures	$ 5,849	$ -	$ -	$ 5,849
Machinery and equipment	10,204	2,171	-	12,375
Franklin House upgrades	5,049	-	-	5,049
Total Depreciable Capital Assets	21,102	2,171	-	23,273
Less accumulated depreciation	(9,218)	(1,747)	-	(10,965)
Total Capital Assets	$ 11,884	$ 424	$ -	$ 12,308

Depreciation expense of $1,747 was incurred for the year ending June 30, 2019.

NOTE 7 - AMOUNTS HELD FOR OTHERS

The Foundation acts as a fiscal agent for departments, organizations, and groups of the College. Accordingly, at June 30, 2019, $91,356, respectively, 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 8 - COMPENSATED ABSENCES

Salaried employees of the Foundation receive paid vacation, which is accrued as a liability as the benefits are earned. At June 30, 2019, the unmatured portion of employee accumulated unused vacation is $30,746.

NOTE 9 - RESTRICTIONS ON NET ASSET BALANCES

Donor-restricted net asset with time and/or purpose restrictions consist of the following at June 30, 2019:

Scholarships	$ 148,451
College Programs	40,000
Title V scholarships	629,656
Endowments - spendable earnings	(272,374)
Total Donor Restricted Net Assets	$ 545,733

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2019:

Endowments - scholarships	$ 3,611,231
Beneficial interest in assets held by the Foundation for California Community Colleges (Osher)	255,973
Total Donor Restricted Net Assets	$ 3,867,204

NOTE 10 - 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 percent 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 11 - DONOR DESIGNATED ENDOWMENTS

The Foundation's endowment consists of 263 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, 2019, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 3,345,224
Contributions	392,446
Investment income	12,294
Amounts appropriated for expenditures	(138,733)
Endowment net assets, end of year	$ 3,611,231

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, 2019, funds with original gift values of $3,611,231, fair values of $1,157,490, and deficiencies of $272,374 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 2019, the spending rate maximum was 4.0 percent. 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 12 - 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 2019 amounted to $10,000 and have been reflected in the financial statements as in-kind revenue.

NOTE 13 - ADJUSTMENT RESULTING FROM CHANGE IN ACCOUNTING PRINCIPLE

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of June 30, 2019. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018, net assets.

The effect on the Foundation's statement of activities as of June 30, 2018, is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, End of the Year			
Unrestricted	$ (1,760,137)	$ 1,760,137	-
Temporarily restricted net assets	476,642	(476,642)	-
Permanently restricted net assets	3,234,514	(3,234,514)	-
Net assets without donor restrictions	-	(1,760,137)	(1,760,137)
Net assets with donor restrictions	-	3,711,156	3,711,156

NOTE 14 - RESTATEMENT

When reviewing the net assets and classifications, management determined there was an error in classification and reporting of the beneficial interest in assets held by the Foundation for California Community Colleges. The balance was adjusted in the current year; restating the beginning net assets. There was no effect on the change in net assets for the fiscal year ended June 30, 2018, as a result of the restatement. The effect on the current fiscal year is as follows:

Net assets without donor restrictions (deficit) - Beginning	$ (1,760,137)
Decrease of net assets without donor restrictions due to classification	(346,159)
Net assets without donor restrictions (deficit) - Beginning, as Restated	$ (2,106,296)

Net assets with donor restrictions - Beginning	$ 3,711,156
Increase of net assets with donor restrictions due to classification	346,159
Increase of beneficial interest in assets held by the Foundation for California Community Colleges	38,151
Net assets with donor restrictions - Beginning, as Restated	$ 4,095,466

NOTE 15 - 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.