Financial Statements
December 31, 2020

Los Angeles City College Foundation

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Independent Auditor's Report

The Board of Directors
Los Angeles City College Foundation
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles City College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2021, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
April 29, 2021

Assets	
Current Assets	
Cash and cash equivalents	$ 1,437,610
Accounts receivable	80,000
Due from Los Angeles City College	15,990
Unconditional promises to give	105,000
Investments	38,114,711
Total current assets	39,753,311
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	220,349
Unconditional promises to give - long-term portion - net	226,552
Capital assets (net of accumulated depreciation)	6,773
Total noncurrent assets	453,674
Total assets	$ 40,206,985
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 2,704
Compensated absences	23,954
Paycheck Protection Program (PPP) loan	150,722
Funds held for others	901,365
Total current liabilities	1,078,745
Net Assets	
Without donor restrictions	
Undesignated	640,980
Board designated	74,204
Total without donor restrictions	715,184
With donor restrictions	38,413,056
Total net assets	39,128,240
Total liabilities and net assets	$ 40,206,985

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Donations			
General	$ 41,275	$ 848,859	$ 890,134
In-kind contributions	7,900	-	7,900
Community Partnership	132,174	-	132,174
Special events	2,500	-	2,500
Grants	-	402,050	402,050
Filming	42,828	-	42,828
Miscellaneous revenue	30,575	-	30,575
Administrative fees	312,013	(312,013)	-
Net assets released from restrictions	1,125,788	(1,125,788)	-
Total Public Support and Revenues	1,695,053	(186,892)	1,508,161
Expenses			
Management and general	472,801	-	472,801
Program	1,572,475	-	1,572,475
Total Expenses	2,045,276	-	2,045,276
Other Income			
Realized gain on sale of investments	29,913	307,909	337,822
Unrealized gain on investments	171,874	6,078,744	6,250,618
Interest and dividends, net of fees	7,748	407,856	415,604
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	22,669	22,669
Total Other Income	209,535	6,817,178	7,026,713
Change in Net Assets	(140,688)	6,630,286	6,489,598
Net Assets, Beginning of Year	855,872	31,782,770	32,638,642
Net Assets, End of Year	$ 715,184	$ 38,413,056	$ 39,128,240

	Management and General	Program	Total
Bank charges and service fees	$ 5,074	$ -	$ 5,074
Contributions	1,000	-	1,000
Database maintenance and research	16,021	23,055	39,076
Depreciation	3,828	-	3,828
Equipment	2,309	65,154	67,463
Gift in kind	7,900	-	7,900
Good and welfare	1,740	-	1,740
Grant in aid	4,808	1,000	5,808
Los Angeles City College departmental support	-	214,501	214,501
Indirect costs	-	59,343	59,343
Insurance	29,115	-	29,115
Meetings	1,400	506	1,906
Office supplies and graphic arts	6,995	540	7,535
Postage and printing	2,687	1,368	4,055
Productions expenses	-	250	250
Professional development, fees and subscription	5,090	700	5,790
Professional services	44,572	142,518	187,090
Program expenses and supplies	-	36,814	36,814
Salaries and benefits	322,482	464,060	786,542
Scholarships	-	439,276	439,276
Software and website	156	2,443	2,599
Stipends and tuition	500	119,614	120,114
Taxes, permits, and licenses	170	-	170
Transportation, parking, car allowance	16,954	-	16,954
Travel	-	1,333	1,333
Total expenses	$ 472,801	$ 1,572,475	$ 2,045,276

Operating Activities	
Change in net assets	$ 6,489,598
Adjustments to reconcile change in net assets	
to net cash flows from operating activities	
Depreciation	3,828
Unrealized gain on investments	(6,250,618)
Realized gain on investments	(337,822)
Contributions for long-term purposes	(749,822)
Distributions from beneficial interest in assets held	
by the Foundaiton for California Community Colleges	10,000
Change in beneficial interest in assets held by the	
Foundation for California Community Colleges	(22,669)
Changes in Operating Assets and Liabilities	
Accounts receivable	(23,921)
Due from Los Angeles City College	2,998
Unconditional promise to give	(211,983)
Accounts payable	(2,525)
Compensated absences	5,915
Paycheck Protection Program (PPP) loan	150,722
Funds held for others	145,829
Net Cash Flows From Operating Activities	(790,470)
Investing Activities	
Purchase of investments	(2,096,502)
Proceeds from sale of investments	2,118,524
Net Cash Flows From Investing Activities	22,022
Financing Activities	
Receipt of contributions for long-term purposes	749,822
Net Change in Cash and Cash Equivalents	(18,626)
Cash and Cash Equivalents, Beginning of Year	1,456,236
Cash and Cash Equivalents, End of Year	$ 1,437,610

Note 1 - Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

Los Angeles City College Foundation (the Foundation) is a nonprofit organization that serves Los Angeles City College (the College) by providing scholarships, funding school departments, and meeting other school, faculty, and student needs. The Foundation is supported primarily through individual donor contributions from alumni, faculty, and other friends of the College. The Foundation was incorporated on March 20, 1968 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code.

Financial Statement Presentation

The Foundation and the College are financially interrelated organizations as defined by *Transfers of Assets to a* Nonprofit or Charitable Trust that Holds Contributions for Others. 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 program and supporting services.

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 Accounting Standards of Codification (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 Assets Accounting

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board designated endowment as described in Note 10.

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.

Revenue and Revenue Recognition

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor, either without or with restrictions. Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about how the contributions are to be spent, the Foundation reports these contributions as without donor restrictions. The Foundation records special events revenue equal to the cost of direct benefit to donors, and contribution revenue for the difference.

Contributions, including unconditional promises to give, 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. Contract revenue is recognized after services have been rendered and any performance obligations have been met.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days, which are neither held for nor restricted by donors for - long-term purposes. As of December 31, 2020, cash accounts maintained by the Foundation were insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2020, balances held in financial institutions of $794,568 were not fully insured.

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

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Foundation maintains investments with Securities Investor Protection Corporation (SIPC) brokerage firms which are insured up to $500,000.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment or economic conditions, and a review of subsequent collections. Promise to give are written off when deemed uncollectable. Management has determined all amounts to be collectable.

Capital Assets

The Foundation maintains an initial unit cost capitalization threshold of $500. Capital assets are stated at cost or, if donated, at estimated fair value on the date of donation. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method based on the assets' estimated useful lives of the respective property for five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

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 indicators of asset impairment during the year ended December 31, 2020.

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.

Donated Services and Facilities

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

While the Los Angeles City College has provided office space and staff assistance to the Foundation, the market value of this donation has not been reflected on these financial statements as an in-kind donation as a method of allocating these costs has not been determined.

Community Partnership

Community Partnership revenue was $132,174 as of December 31, 2020. These revenues were used to support the general operations of 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 reported amounts of assets and liabilities at the date of financial statements and the reported amounts of and 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 exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Foundation annually files Forms 990, 199, and RRF-1 with the appropriate agencies, as well as Forms 990T and 199T when applicable. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).

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.

The Foundation's Federal informational tax returns for the years ended December 31, 2017, 2018 and 2019 are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2016, 2017, 2018 and 2019, are open to audit by State authorities.

Allocation of Functional 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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include database maintenance and research, which is allocated based on estimates of usage, and salaries and benefits, which is allocated on the basis of estimates of time and effort.

Administrative Fee

Endowments received by the Foundation are subject to a 1.0 percent endowment administrative fee. The fee is assessed annually at 1.0 percent of the income earned before distribution. Trusts and planned gifts are assessed an annual 1.0 percent administration fee. Revenues received from administrative fees are used by the Foundation to cultivate and solicit new gifts, as well as pay for administrative overhead related to processing gifts and endowments. In December 2020, the Board increased the fee to 1.50 percent.

Recently Adopted Accounting Standard

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. ASU 2018-08 includes a second provision for entities that serve as a resource provider and are making contributions to other organizations. This portion of the standard has a later implementation date and is effective for entities with annual periods beginning after December 15, 2019 and will be implemented at that time. 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 January 1, 2020, 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.

New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). 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 the Foundation for the year ending December 31, 2022. Although the full impact of this update 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.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

Due from Los Angeles City College	$ 15,990
Unconditional promises to give, current	14,846
Investments	677,575
	$ 708,411

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. Foundation staff and management monitor cash balances and liquidate investments without donor restrictions on an as needed basis. The Foundation has a procedure for cash collections to ensure accounts receivables are collected within the policy requirement of 60 days.

Note 3 - Accounts Receivable

Accounts receivable consist of the following as of December 31, 2020:

Accounts receivable - departmental funds (Speaker Series Program donation)	$ 80,000

Note 4 - Unconditional Promises to Give

Unconditional promises to give consist of the following as of December 31, 2020:

Unconditional promises to give	$ 335,000
Less unamortized discount	(3,448)
Net unconditional promises to give	$ 331,552
Amounts Due in	
Less than one year	$ 105,000
One to five years	226,552
Total unconditional promises to give	$ 331,552

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.04 percent.

Note 5 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at December 31, 2020:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$ 31,327,122	$ 37,474,485	$ 6,147,363
Other Assets	90,113	107,441	17,328
Real Estate	446,858	532,785	85,927
Beneficial Interest in assets held by the Foundation for California Community Colleges	220,349	220,349	-
	$ 32,084,442	$ 38,335,060	$ 6,250,618

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 11,940	$ 559,774	$ 571,714
Realized gain on sale of investments	29,913	307,909	337,822
Unrealized gain on investments	171,874	6,078,744	6,250,618
Total Investment Income	213,727	6,946,427	7,160,154
Investment fees	(4,192)	(151,918)	(156,110)
Total Investment Income, Net of Expenses	$ 209,535	$ 6,794,509	$ 7,004,044

Note 6 - Fair Value Measurements and Disclosures

Certain assets 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 1 - 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 2 – 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 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges (FCCC) is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 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 December 31, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2020.

	Level 1	Level 3	Total
Assets			
Equities	$ 37,474,485	$ -	$ 37,474,485
Other Assets	107,441	-	107,441
Real Estate	532,785	-	532,785
Beneficial Interest in assets held by the Foundation for California Community Colleges	-	220,349	220,349
Total	$ 38,114,711	$ 220,349	$ 38,335,060

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ending December 31, 2020:

	Beneficial Interests in assets held By the FCCC
Balance at December 31, 2019	$ 207,680
Investment return, net	22,669
Distributions	(10,000)
Balance at December 31, 2020	$ 220,349

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

Note 7 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges

In May 2008, the California Community Colleges Scholarship Endowment (the CCCS Endowment) was launched via a gift of $25 million from the Bernard Osher Foundation (the Osher Foundation) to the Foundation for California Community Colleges (the FCCC). The FCCC and California's community colleges were challenged with raising an additional $50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to $25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California's community college system based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation. All of the funds contributed to the CCCS Endowment, regardless of source, are irrevocable gifts to the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at the College and the accumulated earnings, which does not include any funds contributed by the Osher Foundation. In order to take advantage of this opportunity, the College and its donors have contributed $150,000 from the agency accounts that reside in the Foundation. As of December 31, 2020, the ending balance of the Osher Endowment Scholarship was $220,349. The Foundation 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.

Note 8 - Capital Assets

The following is a summary of capital assets as of December 31, 2020:

Equipment	$ 90,088
Accumulated depreciation	(83,315)
Net property and equipment	$ 6,773

Depreciation expense for the year ended December 31, 2020, was $3,828.

Note 9 - Related Party Transactions

Los Angeles City College

The Foundation provides various levels of monetary support and service to the College. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense. The College provides office space and other support to the Foundation. The value of this support has not been calculated and is not reflected within these financial statements. As of December 31, 2020, the Foundation was owed $15,990 from the College for student financial assistance paid to students in advance of the College processing the awards. These amounts are owed to the Foundation upon processing the students' aid.

Note 10 - Endowment Funds

The Foundation's endowment (the Endowment) consists of approximately 160 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of December 31, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 74,204	$ -	$ 74,204
Donor-restricted endowment funds			
Original donor-restricted gift amount			
And amounts required to be maintained			
in perpetuity by donor	-	21,623,541	21,623,541
Accumulated investment gains	-	15,841,974	15,841,974
	$ 74,204	$ 37,465,515	$ 37,539,719

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment Investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time. In October 2020, the Board update the Foundation’s Investment Policy Statement (IPS).

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 the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2020, the spending rate maximum was 5.0 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.

Changes in Endowment net assets for the year ended December 31, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 121,954	$ 30,148,129	$ 30,270,083
Contributions	-	749,822	749,822
Change in value of investments	2,250	6,946,427	6,948,677
Amounts appropriated for expenditures	(50,000)	(378,863)	(428,863)
Endowment net assets, end of year	$ 74,204	$ 37,465,515	$ 37,539,719

Note 11 - Title III STEM Pathways Endowment

The College provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended December 31, 2016. The grant was a Title III, Hispanic Serving Institution STEM 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 $1,000,000 over a five-year period ending December 31, 2020, 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 12 - Funds Held for Others

Noted below is the detail of the activity related to the Funds Held for Others:

Balance at December 31, 2019	$ 755,536
Donations	597,013
Expenses	(451,184)
Balance at December 31, 2020	$ 901,365

Funds Held for Others represent monies raised by and expended for specific on-campus departments of the College. These funds are held in an agency capacity and are segregated and accounted for separately from Foundation funds. The asset balance is classified as cash and cash equivalents on the statement of financial position.

Note 13 - Retirement Plan

The Foundation offers a defined contribution plan (the Plan) to employees in accordance with Internal Revenue Code Section 403(b). The Plan is available to all full-time employees of the Foundation. This Plan allows for employee deferrals and elective employer contributions. Participants are immediately 100 percent vested in all contributions to the Plan. The Foundation made contributions of $6,668 during the year ended December 31, 2020.

Note 14 - Paycheck Protection Program (PPP) Loan

The Foundation was granted a $150,722 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Foundation maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended December 31, 2020.

The Foundation will be required to repay any remaining balance, plus interest accrued at one percent in monthly payments commencing in December 6, 2020, principal and interest payments will be required through the maturity date May 6, 2022.

Note 15 - Subsequent Events

The Foundation's management has evaluated events or transactions from December 31, 2020, through April 29, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.

On February 16, 2021 the Foundation was granted a $160,695 loan under the second draw of the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Foundation maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Los Angeles City College Foundation
Los Angeles, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Los Angeles City College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated April 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
April 29, 2021