



Financial Statements
December 31, 2021

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 Audit of the Financial Statements

Opinion

We have audited 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Correction of Error

As discussed in Note 15 to the financial statements, certain errors resulting in overstatement of amounts previously reported for funds held for others as of December 31, 2020, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for funds held for others have been restated in the 2020 financial statements now presented, and an adjustment has been made to net assets with donor restrictions as of December 31, 2020, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, 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
June 29, 2022

Los Angeles City College Foundation
Statement of Financial Position
December 31, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 2,062,252
Accounts receivable	158,031
Due from Los Angeles City College	15,951
Unconditional promises to give	105,000
Investments	<u>47,104,296</u>

Total current assets	<u>49,445,530</u>
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Noncurrent Assets

Beneficial interest in assets held by the Foundation for California Community Colleges	235,866
Unconditional promises to give, net of amortized discount	203,111
Capital assets, net of accumulated depreciation	<u>8,589</u>

Total noncurrent assets	<u>447,566</u>
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Total assets	<u><u>\$ 49,893,096</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 64,119
Compensated absences	33,994
Paycheck Protection Program (PPP) loan	<u>160,695</u>

Total current liabilities	<u>258,808</u>
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Net Assets

Without donor restrictions	
Undesignated	1,215,982
Board designated	<u>135,918</u>

Total without donor restrictions	1,351,900
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With donor restrictions	<u>48,282,388</u>
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Total net assets	<u>49,634,288</u>
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Total liabilities and net assets	<u><u>\$ 49,893,096</u></u>
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Los Angeles City College Foundation

Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Donations			
General	\$ 252,045	\$ 1,552,561	\$ 1,804,606
In-kind contributions	211,644	4,000	215,644
Community Partnership	165,724	-	165,724
Special events	281,334	-	281,334
Federal grant	270,448	-	270,448
Grants	-	563,426	563,426
Parking revenue	-	231,000	231,000
Pass-through income	-	60,814	60,814
Filming	67,325	-	67,325
PPP Loan forgiveness	150,722	-	150,722
Miscellaneous revenue	20,807	-	20,807
Grant indirect cost recovery	59,158	(59,158)	-
Administrative fees	554,488	(554,488)	-
Net assets released from restrictions	1,560,292	(1,560,292)	-
	<u>3,593,987</u>	<u>237,863</u>	<u>3,831,850</u>
Expenses			
Management and general	558,813	-	558,813
Program	2,548,273	-	2,548,273
Fundraising	59,722	-	59,722
	<u>3,166,808</u>	<u>-</u>	<u>3,166,808</u>
Other Income			
Realized gain on sale of investments	22,821	383,460	406,281
Unrealized gain on investments	182,334	7,949,784	8,132,118
Interest and dividends, net of fees	4,382	370,943	375,325
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	25,917	25,917
	<u>209,537</u>	<u>8,730,104</u>	<u>8,939,641</u>
Change in Net Assets	636,716	8,967,967	9,604,683
Net Assets, Beginning of Year, Restated	715,184	39,314,421	40,029,605
Net Assets, End of Year	<u>\$ 1,351,900</u>	<u>\$ 48,282,388</u>	<u>\$ 49,634,288</u>

Los Angeles City College Foundation
Statement of Functional Expenses
Year Ended December 31, 2021

	Management and General	Program	Fundraising	Total
Advertising	\$ 12,350	\$ -	\$ -	\$ 12,350
Administration expense	-	19,250	-	19,250
Bank charges and service fees	5,760	-	-	5,760
Contributions	-	1,000	-	1,000
Database maintenance and research	14,271	20,537	-	34,808
Depreciation	3,684	-	-	3,684
Equipment	5,417	147,426	-	152,843
Gala expenses	-	-	54,981	54,981
Gift in kind	-	215,644	-	215,644
Good and welfare	879	-	-	879
Grant in aid	2,750	31,603	-	34,353
Los Angeles City College departmental support	-	284,596	-	284,596
Insurance	27,331	-	-	27,331
Meals and entertainment	2,333	10,476	-	12,809
Miscellaneous	689	15,370	-	16,059
Office supplies and graphic arts	4,116	404	-	4,520
Other special event expenses	-	-	4,741	4,741
Postage and printing	7,696	98	-	7,794
Professional development, fees and subscription	14,248	4,165	-	18,413
Professional services	45,638	201,994	-	247,632
Program expenses and supplies	4,329	394,459	-	398,788
Salaries and benefits	375,065	539,727	-	914,792
Scholarships	-	567,157	-	567,157
Software and website	11,232	1,625	-	12,857
Stipends and tuition	1,500	61,219	-	62,719
Taxes, permits, and licenses	150	29,090	-	29,240
Transportation, parking, car allowance	19,375	1,265	-	20,640
Travel	-	1,168	-	1,168
Total expenses	\$ 558,813	\$ 2,548,273	\$ 59,722	\$ 3,166,808

Los Angeles City College Foundation

Statement of Cash Flows

Year Ended December 31, 2021

Operating Activities	
Change in net assets	\$ 9,604,683
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	3,684
Unrealized gain on investments	(8,132,118)
Realized gain on investments	(406,281)
Contributions restricted for long-term purposes	(1,307,420)
Forgiveness of PPP loan	(150,722)
Distributions from beneficial interest in assets held by the Foundaiton for California Community Colleges	10,400
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	(25,917)
Changes in assets and liabilities	
Accounts receivable	(78,031)
Due from Los Angeles City College	39
Unconditional promise to give	23,441
Accounts payable	61,415
Compensated absences	10,040
Paycheck Protection Program (PPP) loan	160,695
Net Cash Flows From Operating Activities	<u>(226,092)</u>
Investing Activities	
Purchases of fixed assets	(5,500)
Purchase of investments	(5,816,076)
Proceeds from sale of investments	<u>5,364,890</u>
Net Cash Flows From Investing Activities	<u>(456,686)</u>
Financing Activities	
Receipt of contributions restricted for long-term purposes	<u>1,307,420</u>
Change in Cash and Cash Equivalents	624,642
Cash and Cash Equivalents, Beginning of Year	<u>1,437,610</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,062,252</u>

Note 1 - Nature of 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, expenses, gains, and losses are classified based on the existence or absence of donor imposed 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. Net assets without donor restrictions represents all resources over which the governing board has discretionary control for use in operating the Foundation. 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

In May 2014, the FASB issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation adopted ASC 606 with a date of the initial application of July 1, 2020, using the full-retrospective method.

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Contributions are reported as 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 released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

The adoption of ASC 606 did not have a significant impact on the Foundation's statement of financial position, results of its activities, or cash flows. The Foundation's revenue arrangements generally consist of a single performance obligation to transfer services. There are no significant contract assets, accounts receivable, or contract liabilities associated with these revenue streams. Based on the Foundation's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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, 2021, cash accounts maintained by the Foundation were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2021, balances held in financial institutions of \$1,425,844 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 of economic conditions, and a review of subsequent collections. Promises 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, 2021.

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 \$165,724 as of December 31, 2021. These revenues were used to support the general operations of the Foundation.

Federal Grant Revenue

The Foundation's Federal grant is conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Foundation's expenses associated with the current year Federal grant are classified as "Program expenses and supplies" and "Grant in aid" on the Foundation's statement of functional expenses and are included in the total balance of \$398,788 and \$34,353, respectively. The total qualifying expenditures associated with the Federal grant for the year ended December 31, 2021, were \$270,448.

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, and disclosure of contingent assets and liabilities, at the date of 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 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.

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.

Advertising Costs

Costs associated with advertising are expensed as incurred. Total advertising costs were \$12,350 for the fiscal year ended December 31, 2021.

Administrative Fee

Endowments received by the Foundation are subject to a 1.5% endowment administrative fee. The fee is assessed annually at 1.5% of the income earned before distribution. Trusts and planned gifts are assessed an annual 1.5% 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.

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 fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. 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.

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	\$ 15,951
Unconditional promises to give, current	9,977
Investments	<u>1,250,154</u>
	<u>\$ 1,276,082</u>

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, 2021:

Community Partnership commission	\$ 48,983
Federal grant receivable	70,548
Other	<u>38,500</u>
	<u>\$ 158,031</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give consist of the following as of December 31, 2021:

Unconditional promises to give	\$	309,627
Less unamortized discount		<u>(1,516)</u>
Net unconditional promises to give	\$	<u><u>308,111</u></u>
Amounts Due in		
Less than one year	\$	105,000
One to five years		<u>203,111</u>
Total unconditional promises to give	\$	<u><u>308,111</u></u>

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 0.47%.

Note 5 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at December 31, 2021:

	<u>Adjusted Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Equities	\$ 38,126,235	\$ 46,081,835	\$ 7,955,600
Other Assets	284,641	344,035	59,394
Real Estate	561,302	678,426	117,124
Beneficial Interest in assets held by the Foundation for California Community Colleges	<u>235,866</u>	<u>235,866</u>	<u>-</u>
	<u><u>\$ 39,208,044</u></u>	<u><u>\$ 47,340,162</u></u>	<u><u>\$ 8,132,118</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 8,707	\$ 568,343	\$ 577,050
Realized gain on sale of investments	22,821	383,460	406,281
Unrealized gain on investments	182,334	7,949,784	8,132,118
Total Investment Income	213,862	8,901,587	9,115,449
Investment fees	(4,325)	(197,400)	(201,725)
Total Investment Income, Net of Expenses	\$ 209,537	\$ 8,704,187	\$ 8,913,724

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, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2021.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Assets			
Equities	\$ 46,081,835	\$ -	\$ 46,081,835
Other Assets	344,035	-	344,035
Real Estate	678,426	-	678,426
Beneficial Interest in assets held by the Foundation for California Community Colleges	-	235,866	235,866
Total	<u>\$ 47,104,296</u>	<u>\$ 235,866</u>	<u>\$ 47,340,162</u>

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% 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, 2021, the ending balance of the Osher Endowment Scholarship was \$235,866. 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, 2021:

Equipment	\$ 95,588
Accumulated depreciation	<u>(86,999)</u>
Net property and equipment	<u>\$ 8,589</u>

Depreciation expense for the year ended December 31, 2021, was \$3,684.

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, 2021, the Foundation was owed \$15,951 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 185 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, 2021, 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, 2021, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 135,918	\$ -	\$ 135,918
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	22,935,287	22,935,287
Accumulated investment gains	-	23,392,090	23,392,090
	<u>\$ 135,918</u>	<u>\$ 46,327,377</u>	<u>\$ 46,463,295</u>

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 five 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 2021, the spending rate maximum was 5.0%. 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.

Los Angeles City College Foundation

Notes to Financial Statements

December 31, 2021

Changes in Endowment net assets for the year ended December 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 74,204	\$ 37,465,515	\$ 37,539,719
Contributions	44,326	1,307,420	1,351,746
Change in value of investments	17,388	8,901,587	8,918,975
Amounts appropriated for expenditures	-	(1,347,145)	(1,347,145)
Endowment net assets, end of year	\$ 135,918	\$ 46,327,377	\$ 46,463,295

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2021:

Scholarships	\$ 274,634
Grants	433,005
Departmental funds	1,011,506
Endowments - accumulated and unspent earnings	23,392,090
	\$ 25,111,235

Net assets with donor restrictions that are perpetual in nature, earnings from which are subject to endowment spending appropriation as of December 31, 2021:

Osher endowment	\$ 235,866
Endowments related to scholarships	22,935,287
	\$ 23,171,153

Net assets released from donor restriction by incurring expenses satisfying the restricted purpose or by other events specified by the donors as follows for the year ended December 31, 2021:

Support of college departments	\$ 270,143
Qualifying grant expenses	913,915
Scholarships and other student awards	376,234
	\$ 1,560,292

Note 12 - 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 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% vested in all contributions to the Plan. The Foundation made contributions of \$7,230 during the year ended December 31, 2021.

Note 14 - Paycheck Protection Program (PPP) Loans

The Foundation was granted two loans in the amount of \$150,722 and \$160,695 under the Paycheck Protection Program (PPP) first and second draws, respectively, administered by a Small Business Administration (SBA) approved lender. The loans are uncollateralized and are fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loans, upon meeting certain requirements. The Foundation has initially recorded the loans as refundable advances and has subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. For the year ended December 31, 2021, the Foundation recognized full forgiveness of the first draw loan in the amount of \$150,722. Proceeds from the second draw 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.

Note 15 - Restatement

During review of the financial statements, the Foundation management became aware of funds being improperly classified as “Amounts Held for Others” in the Statement of Financial Position. After review of the intent of the funds held within the Foundation’s Departmental Fund, it was found that these balances originated from donor funds. Therefore, balances and activity should be included in the Foundation’s financial statements. 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 December 31, 2021, as a result of the restatement. The effect on the Foundation’s statement of activities as of December 31, 2021 is as follows:

	As Previously Reported	Adjustment	As Restated
Net Assets, Beginning of Year			
Net assets without donor restrictions	\$ 715,184	\$ -	\$ 715,184
Net assets with donor restrictions	38,413,056	901,365	39,314,421
	<u>\$ 39,128,240</u>	<u>\$ 901,365</u>	<u>\$ 40,029,605</u>

Note 16 - Subsequent Events

The Foundation's management has evaluated events or transactions from December 31, 2021, through June 29, 2022, 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 January 6, 2022, the Foundation received notification from SBA approved lender that the \$160,695 loan under the second draw of the Paycheck Protection Program (PPP) was granted full forgiveness. As such, contribution revenue will be recognized for the forgiven loan balance during the year ended December 31, 2022.



**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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 29, 2022.

Correction of Error

As discussed in Note 15 to the financial statements, certain errors resulting in overstatement of amounts previously reported for funds held for others as of December 31, 2020, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for funds held for others have been restated in the 2020 financial statements now presented, and an adjustment has been made to net assets with donor restrictions as of December 31, 2020, to correct the error. Our opinion is not modified with respect to that matter.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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*.

We noted certain matters that we reported to management of Los Angeles City College Foundation in a separate letter dated June 29, 2022.

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.



Rancho Cucamonga, California
June 29, 2022