Financial Statements
June 30, 2019

MiraCosta College Foundation
(A California Nonprofit Corporation)

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MIRACOSTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MiraCosta College Foundation
Oceanside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the MiraCosta College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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 June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities.* Accordingly, the beginning of year net assets have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Eide Bailly LLP

Rancho Cucamonga, California
April 23, 2020

MIRACOSTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 850,180
Investments	14,117,847
Investments related to deferred gifts	243,632
Accounts receivable	4,194
Unconditional promises to give	100,000
Total Current Assets	15,315,853
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	793,086
Cash surrender value of life insurance	27,420
Unconditional promises to give - net of amortized discount	797,506
Total Assets	$ 16,933,865
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 17,109
Due to MiraCosta Community College District	23,422
Total Liabilities	40,531
NET ASSETS	
Without donor restrictions	
Undesignated	880,538
Board designated	504,596
Total Without Donor Restrictions	1,385,134
With donor restrictions	15,508,200
Total Net Assets	16,893,334
Total Liabilities and Net Assets	$ 16,933,865

See the accompanying notes to financial statements.

MIRACOSTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions, gifts, and grants	$ 358,198	$ 5,562,663	$ 5,920,861
Donated asset contributions	-	34,513	34,513
Net assets released from restrictions	1,357,839	(1,357,839)	-
Total Public Support and Revenues	1,716,037	4,239,337	5,955,374
EXPENSES			
Program	1,307,250	-	1,307,250
Management and general	223,694	-	223,694
Total Expenses	1,530,944	-	1,530,944
OTHER INCOME			
Unrealized gain on investments	127,868	543,983	671,851
Change in value of deferred gifts	-	21,752	21,752
Change in cash surrender value of life insurance	-	478	478
Change in value of beneficial interest in assets held by Foundation for California Community Colleges	-	43,280	43,280
Interest and dividends	12,206	68	12,274
Total Other Income	140,074	609,561	749,635
CHANGE IN NET ASSETS	325,167	4,848,898	5,174,065
NET ASSETS, BEGINNING OF YEAR, RESTATED	1,059,967	10,659,302	11,719,269
NET ASSETS, END OF YEAR	$ 1,385,134	$ 15,508,200	$ 16,893,334

See the accompanying notes to financial statements.

MIRACOSTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

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

	Program	Management and General	Total
Scholarships and grants	$ 516,845	$ -	$ 516,845
MiraCosta College programs	649,715	-	649,715
Direct student aid	106,177	-	106,177
Support staff salaries and wages	-	150,772	150,772
Donated assets	34,513	-	34,513
Professional fees	-	36,746	36,746
Donor cultivation and goodwill	-	3,276	3,276
Other administrative expenses	-	32,900	32,900
Total	$ 1,307,250	$ 223,694	$ 1,530,944

See the accompanying notes to financial statements.

MIRACOSTA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 5,174,065
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Contributions restricted for long-term purposes	5,062,420
Net unrealized gain on investments	(671,851)
Distribution from beneficial interest in assets held by the Foundation for California Community Colleges	39,233
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	(43,280)
Distribution of deferred gifts	330,796
Change in value of deferred gifts	(21,752)
Cash surrender value of life insurance	(478)
Change in Assets and Liabilities	
Accounts receivable	(1,177)
Unconditional promises to give	(897,506)
Accounts payable	6,151
Due to MiraCosta Community College District	(102,390)
Net Cash Flows From Operating Activities	8,874,231
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(5,615,264)
CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for long-term purposes	(5,062,420)
CHANGE IN CASH AND CASH EQUIVALENTS	(1,803,453)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,653,633
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 850,180

See the accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The MiraCosta College Foundation (the Foundation) is a non-profit public benefit corporation organized under the Non-profit Public Benefit Corporation Law of the State of California. The Foundation was incorporated on April 26, 1967, as an independent foundation established under the laws of the State of California. The purpose of the Foundation is to promote the benefits of the MiraCosta College (the College) and to assist in securing, managing and distributing resources for students in the community. The members of the Foundation's Board of Directors are composed of members from the local community. In addition, the College president and two members of the College management staff are Advisors to the Board.

Financial Statement Presentation

The Foundation and the District 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 and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Expiration of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. In addition, the Foundation's Board has also designated various balances of net assets without donor restrictions for certain uses, as described in Note 11.
>
> *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.

Support and Expenses

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 net assets without donor restrictions support 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 net assets without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution is made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Investments

Short-term investments are valued at amortized cost, which approximates market value. Investment transactions are recorded on trade date. Realized gain and losses on sales of investments are determined on the specific identification basis. 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 accordance with donor instructions.

Donated Assets

The Foundation records the value of donated assets when there is an objective basis available to measure their value. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies unless they are passed through to the College.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts with original maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to $250,000. At June 30, 2019, the Foundation had uninsured cash deposits of $652,901.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. At June 30, 2019, unconditional promises to give have been recorded in the financial statements in the amount of $897,506, net of allowance for uncollectible pledges.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has determined all amounts to be collectible.

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.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

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

Accounts Payable and Current Liabilities

Accounts payable balance consists of expenditures incurred prior to fiscal year end, but not yet paid. Due to MiraCosta Community College District (the District) balance consists of payroll processed by the District on behalf of the Foundation and other miscellaneous expenditures owed to the District.

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 present 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.

Management Fee

Endowments received by the Foundation are subject to a 1.5 percent endowment management fee. The fee is assessed quarterly at 1.5 percent of the income earned before distribution. Trusts and planned gifts are assessed an annual 1.5 percent management fee. In addition, the Foundation assesses a five percent gift fee on all planned gifts, at the time of receipt. Revenues received from management 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.

Change in Accounting Principle

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

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

New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than

12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although the full impact of ASU 2016-02 on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

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

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	$ 850,180
Board reserves	100,000
Accounts receivable	3,182
	$ 953,362

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. To ensure the stability of its mission, programs, employment, and ongoing operations, the Foundation maintains Board-Designated Operating Reserves. Quarterly, the Associate Vice President, Institutional Advancement and the Finance Committee chair will determine if funds need to be transferred from the Operations Reserve Account (Vanguard) into local operating accounts to meet upcoming cash needs. The assets apportioned to the Reserve Account (Portfolio) are to be invested with the objective of security of principal and short-term liquidity.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

The Foundation's unconditional promises to give consisted of the following at June 30, 2019:

Unconditional promises to give before unamortized discount and allowance for doubtful accounts	$ 900,000
Less: Unamortized discount	(2,494)
Net Unconditional Promises to Give	$ 897,506

Unconditional promises to give can be classified as without, or with donor restriction. Management has determined the amounts of allowance for uncollectible promises to give at June 30, 2019, was $0.

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2019:

Amounts due in:	Promise Program
Due within one year	$ 100,000
Due within one to five years	800,000
Less: Unamortized discount	(2,494)
Subtotal long-term portion of unconditional promises to give	797,506
Total	$ 897,506

The discount rate used was 0.25 percent for the year ended June 30, 2019.

NOTE 4 - INVESTMENTS

Investments are stated at fair value and are summarized as of June 30, 2019:

Investments	Adjusted Cost	Fair Value	Unrealized Gain
Investments	$ 13,445,996	$ 14,117,847	$ 671,851
Deferred gifts	243,632	243,632	-
Beneficial interest in assets held by the Foundation for California Community Colleges	793,086	793,086	-
Total Investments	$ 14,482,714	$ 15,154,565	$ 671,851

The investment return consists of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 12,206	$ 68	$ 12,274
Change in value of deferred gifts	-	21,752	21,752
Change in cash surrender value of life insurance	-	478	478
Unrealized gain on investments	127,868	543,983	671,851
Change in beneficial interest in assets held by the Foundation for California Community Colleges	-	43,280	43,280
Total Investment Return	$ 140,074	$ 609,561	$ 749,635

NOTE 5 - FAIR VALUE DISCLOSURES

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

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

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

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

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

The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair value of fund investments as reported by the Foundation. These are considered to be level 3 Measurements. See Note 7 to the financial statements for additional information.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

	Level I	Level III	Total
Assets			
Equity	$ 10,109,820	$ -	$ 10,109,820
Fixed income	4,008,027		4,008,027
Deferred gifts	-	243,632	243,632
Beneficial interest in assets held by the Foundation for California Community Colleges	-	793,086	793,086
Total	$ 14,117,847	$ 1,036,718	$ 15,154,565

The following table presents changes in the Foundation's investment assets measured at fair value on a recurring basis for the year ending June 30, 2019.

	Deferred gifts Level III	Beneficial Interest in assets held by FCCC Level III	Total
Investments, at Fair Value			
Balance, at June 30, 2018	$ 552,676	$ 789,039	$ 1,341,715
Distribution of deferred gifts	(330,796)	-	(330,796)
Distribution of scholarships	-	(39,233)	(39,233)
Net change in value	21,752	43,280	65,032
Balance, at June 30, 2019	$ 243,632	$ 793,086	$ 1,036,718

The Foundation has no assets or liabilities recorded at fair value on a non-recurring basis as of June 30, 2019.

NOTE 6 - DEFERRED GIFTS

The Foundation is the beneficiary of various charitable remainder trusts, administered by the Community College League of California and one individual trustor, which provide for the payment of distributions to the grantor or other designated beneficiary over the trust's term (generally the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available to the Foundation. The Foundation recognizes the fair value of its interest in the trust at the time the trust is established as a contribution. Fair value is based on the present value of the estimated future benefits to be received using discount rates ranging from 6.0 percent to 9.2 percent. Assets held in the charitable remainder trusts totaled $243,632 at June 30, 2019, and are reported at fair value or cost, depending on the nature of the assets in the statement of financial position. The Foundation revalues its liability to make distributions to the other designated beneficiaries annually based on mortality tables and other applicable factors. The revision of this liability together with the amortization of the discount associated with the contribution is reported as changes in the value of deferred gifts in the statement of activities.

NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY THE FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES - OSHER ENDOWMENT SCHOLARSHIP

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the District and its donors have contributed $1,081,596. As of June 30, 2019, the ending balance of the Osher Endowment Scholarship was $793,086. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

NOTE 8 - DONOR DESIGNATED ENDOWMENTS

The Foundation's financial assets consist of various funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowments funds, are classified and reported based on existence or absence of donor-imposed restrictions.

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

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds by preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the institution. Endowment assets are invested in a well-diversified mix including equity and fixed-income securities, intended to provide an inflation-protected rate of return satisfying the distribution requirements while protecting the corpus. Investment risk is measured in terms of the total endowment fund, not individual endowments.

Spending Policy

The Foundation's Board approved spending policy was created to protect the values of the endowments. An endowment spending rate of no more than 5.5 percent is based on a three-year moving average of current market values as of June 30, 2019. This rate is reviewed on an annual basis.

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Donor-restricted endowment funds	$ -	$ 12,535,188	$ 12,535,188
Board-designated endowment funds	404,596	-	404,596
Total	$ 404,596	$ 12,535,188	$ 12,939,784

Changes in endowment net assets as of June 30, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Balance at June 30, 2018	$ 397,094	$ 7,271,654	$ 7,668,748
Contributions	-	5,062,420	5,062,420
Change in value of investments	28,165	542,884	571,049
Amounts appropriated for expenditures	(20,663)	(341,770)	(362,433)
Balance at June 30, 2019	$ 404,596	$ 12,535,188	$ 12,939,784

NOTE 9 - RESTRICTIONS OF NET ASSET BALANCES

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

Deferred gifts	$ 271,052
Various donor-restricted funds	1,891,341
Foundation scholarships	2,019,645
Total Net Assets With Time/Purpose Restriction	$ 4,182,038

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

Scholarship endowments	$ 3,819,128
Beneficial interest in assets held by the Foundation for California Community Colleges	682,313
General endowments	6,824,721
Total Net Assets With Perpetual Restriction	$ 11,326,162

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as listed below at June 30, 2019:

Scholarships and grants	$ 623,021
Other program services	570,200
Gift in kind	34,513
Total	$ 1,227,734

NOTE 11 - BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions that have been Board designated consist of the following at June 30, 2019:

Board-designated endowment funds	$ 404,596
General reserves	100,000
Total	$ 504,596

NOTE 12 - TRANSACTIONS WITH RELATED ENTITIES

There are certain administrative costs of the Foundation that are paid by the District in accordance with a Memorandum of Understanding between the District and the Foundation. The District believes that so long as the Foundation continues to adequately perform funds management and fundraising assistance to the District, the District's best interests are served by continuing to support the Foundation's operations by providing personnel, certain facilities, and administrative services including, at its sole cost, the services of the District's Associate Vice President, Institutional Advancement, (formerly known as executive director of development and the Foundation).

NOTE 13 - ADJUSTMENT RESULTING FROM CHANGE IN ACCOUNITNG PRINCIPLE

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

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

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, End of the Year			
Unrestricted	$ 1,059,967	$ (1,059,967)	$ -
Temporarily restricted net assets	4,406,583	(4,406,583)	-
Permanently restricted net assets	6,252,719	(6,252,719)	-
Net assets without donor restrictions		1,059,967	1,059,967
Net assets with donor restrictions		10,659,302	10,659,302

NOTE 14 - SUBSEQUENT EVENTS

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