THE LOS ANGELES VALLEY COLLEGE FOUNDATION

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2018

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Accountant's Review Report

To the Board of Directors
The Los Angeles Valley College Foundation

We have reviewed the accompanying financial statements of The Los Angeles Valley College Foundation (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

September 5, 2018
Los Angeles, California

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THE LOS ANGELES VALLEY COLLEGE FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
June 30, 2018

ASSETS

Cash and cash equivalents	$	416,334
Accounts receivable		210
Mortgage note receivable		99,523
Investments		5,429,846
Fixed assets (pianos), net		330,561
TOTAL ASSETS	$	6,276,474

LIABILITIES AND NET ASSETS

LIABILITIES:		
Interest payable	$	8,290
Capital lease payable		333,900
Funds held for others		738,556
TOTAL LIABILITIES		1,080,746
NET ASSETS		
Unrestricted		696,168
Temporarily restricted		307,133
Permanently restricted		4,192,427
TOTAL NET ASSETS		5,195,728
TOTAL LIABILITIES AND NET ASSETS	$	6,276,474

THE LOS ANGELES VALLEY COLLEGE FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT:				
Contributions	$ 229,530	$ 199,270	$ 205,609	634,409
In-kind donations	135,167	-	-	135,167
Realized gains	122,433	-	-	122,433
Unrealized gains	62,107	-	-	62,107
Interest and dividends	14,275	53,948	67,832	136,055
Subtotal	563,512	253,218	273,441	1,090,171
Transfers and net assets released from restrictions:	165,856	(176,606)	10,750	-
TOTAL REVENUE AND SUPPORT	729,368	76,612	284,191	1,090,171
EXPENSES:				
Program services	294,354	-	-	294,354
General and administrative	270,679	-	-	270,679
Fundraising	104,214	-	-	104,214
TOTAL EXPENSES	669,247	-	-	669,247
CHANGE IN NET ASSETS	60,121	76,612	284,191	420,924
NET ASSETS, BEGINNING OF YEAR	636,047	230,521	3,908,236	4,774,804
NET ASSETS, END OF YEAR	$ 696,168	$ 307,133	$ 4,192,427	$ 5,195,728

THE LOS ANGELES VALLEY COLLEGE FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	General & Administrative	Fundraising	Total Expenses
Accounting	$ -	$ 9,286	$ -	$ 9,286
Bank and credit card fees	-	3,061	-	3,061
Catering	-	2,463	1,326	3,789
Conferences	-	2,807	1,511	4,318
Consultants	-	359	-	359
Department and projects	100,633	-	-	100,633
Depreciation	3,339	-		3,339
Donor and board relations	-	5,708	3,073	8,781
Foundation auxiliary groups	16,005	-	-	16,005
Insurance	-	3,721	-	3,721
Interest	8,290	-		8,290
Investment fees	-	52,413	-	52,413
Memberships	-	864	-	864
Occupancy (in-kind)	-	1,230	663	1,893
Office equipment	-	1,048	-	1,048
Office supplies	-	946	508	1,454
Personnel	-	86,628	46,646	133,274
Personnel (in-kind)	-	86,628	46,646	133,274
Printing	-	4,161	2,240	6,401
Publications	-	-	1,601	1,601
Scholarships and awards	166,087	-	-	166,087
Student workers	-	4,346	-	4,346
Subscriptions	-	2,078	-	2,078
Taxes and licenses	-	341	-	341
Trophies and awards	-	2,591	-	2,591
TOTAL FUNCTIONAL EXPENSES	$ 294,354	$ 270,679	$ 104,214	$ 669,247
Percent of Total Expenses	*44%*	*40%*	*16%*	*100%*

THE LOS ANGELES VALLEY COLLEGE FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	420,924
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation expense		100,633
Net unrealized gains		(62,107)
Net realized gains		(122,433)
(Increase) decrease in assets:		
Accounts receivable		4,290
Increase (decrease) in liabilities:		
Accounts payable and accrued interest		(8,059)
Funds held for others		(80,668)
NET CASH PROVIDED BY OPERATING ACTIVITIES		252,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage note receivable proceeds		12,233
Proceeds from sales and maturities of investments		1,213,906
Purchases of investments		(1,305,791)
NET CASH USED FOR INVESTING ACTIVITIES		(79,652)
NET INCREASE IN CASH		172,928
CASH AND CASH EQUIVALENTS - Beginning of Year		340,700
CASH AND CASH EQUIVALENTS - End of Year	$	513,628
Disclosure of Noncash Investing and Financing Activities		
Pianos acquried under capital lease	$	333,900

NOTE 1 — ORGANIZATION

The Los Angeles Valley College Foundation ("the Foundation") is designated as an auxiliary organization of Los Angeles Valley College ("LAVC" or "the College") and the Los Angeles Community College District in accordance with the California State Education Code. The Foundation supports various student programs to promote student skills. The Foundation also provides scholarships to students and faculty, and opportunities for students to meet potential employers. The Foundation is supported primarily through donor contributions and fund-raising efforts.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The accompanying financial statements have been prepared on the accrual basis of accounting; consequently, revenues are recognized when earned and expenses are recognized when incurred. Accordingly, all significant receivables, payables and other liabilities are reflected.

To ensure compliance with certain constraints and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are presented in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets** - These generally result from revenues generated by receiving unrestricted contributions and providing services, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

- **Temporarily Restricted Net Assets** - The Foundation reports gifts of cash and other assets as temporarily restricted support 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 the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions.

- **Permanently Restricted Net Assets** - These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit the Foundation to expend all of the income (or other economic benefits) derived from the donated assets.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from these estimates.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents — The Foundation considers highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments — Investments are stated at fair value with unrealized gains and losses on investments resulting from fair value fluctuations recorded in the statements of activities in the period that such fluctuations occur. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Property and Equipment — Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation and amortization are provided over the estimated useful life of each class of depreciable asset and are computed using the straight-line method. Depreciation expense is calculated on straight-line method over estimated useful lives as follows:

Pianos	50 years

Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to $2,500 and the useful life is greater than two years.

Donated Services — Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The College directly pays the salary of the Foundation's employees; the Foundation is required to reimburse LAVC half of this amount and LAVC donates the other half. In addition, LAVC provides the use of office space and utilities. While LAVC quantifies the value of such space and utilities, it does not require full payment in light of scholarships awarded to students and direct donations made by the Foundation to the College. The value of donated personnel services, office space, and utilities amounted to $135,167 for the year ended June 30, 2018.

Functional Allocation of Expenses — Costs of providing the Foundation's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program, general and administrative support services, and fundraising by a method that best measures the relative degree of benefit.

Scholarship Expenses — The Foundation makes contributions to the College through the granting of stipends and scholarship awards. Criteria for scholarships varies based on donor and/or department requirements. The Foundation has established a Scholarship Committee for adherence to the various scholarship criteria during the application review and selection process. Scholarship expenses are recognized in the year scholarships are awarded. The Foundation does not award multi-year scholarships. As of June 30, 2018, there are no scholarships payable.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Funds Held for Others — As part of its operations, the Foundation holds fiscal agent funds for the benefit of various departments and projects of the College. Each fund has a designated account holder and disbursements are made for these funds through a requisition process. The Foundation has no discretion on the use of the funds. The Foundation holds a portion of fiscal agent funds in its investment portfolio. Per agreements with some fund holders, investment earnings are the property of the Foundation and not allocated back to the benefit of the department or project.

Concentration of Credit and Business Risks — Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash, money market funds and a note receivable. The Federal Deposit Insurance Corporation ("FDIC") insures cash up to $250,000 per institution and the Securities Investor Protection Corporation ("SIPC") protects investments up to $500,000 per investor. In the normal course of operations, such cash and investment balances may exceed the FDIC and SIPC insurance limits. However, the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash, cash equivalents and investments.

The Foundation holds a variety of investments. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to such risks associated with investments, it is at least reasonably possible that changes in market values, interest rates or other factors in the near term could materially affect the amounts reported in the financial statements.

One donor accounted for 26% of total contributions during the year ended June 30, 2018.

Income Taxes – The Foundation is exempt from federal income and excise taxes and California franchise taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and related state codes. However, the Foundation is subject to income taxes on any net income that is derived from a trade business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

The Foundation evaluates tax positions and recognizes a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. If such issues exist, the Foundation's policy will be to recognize any tax liability so recorded, including applicable interest and penalties, as a component of income tax expense. During the year ended June 30, 2018, the Foundation recognized no interest or penalties.

The Foundation's federal income tax and informational returns remain subject to examination for tax years 2015 and subsequent by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for tax years 2014 and subsequent.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Recently Issued Accounting Pronouncements — On August 18, 2016, the FASB issued new rules for nonprofit organizations under ASU 2016-14 "*Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*" ("NFP"). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets.

Five changes included in ASU 2016-14 are:

1. The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted, will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.

2. The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.

3. NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.

4. Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.

5. Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

The effective date of 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. Application to interim financial statements is permitted but not required in the initial year of application. Management is currently evaluating the impact this change in accounting standards will have on the Foundation's financial statements and related disclosures.

Subsequent Events — Management has reviewed subsequent events through September 5, 2018, the date the financial statements were available to be issued.

NOTE 3 — FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statements of financial position. Fair value is defined as the price that would be received upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tiered hierarchy is employed to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect assumptions market participants would use in pricing the asset developed 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 developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the entity's own assumptions in determining fair value of investments)

At June 30, 2018, the Foundation's investments (excluding note receivable) consisted of:

	Cost	Fair Value
Fixed income	$ 1,442,759	$ 1,397,438
Equities	1,942,645	2,491,943
Alternative investments	1,023,005	1,016,926
Real asset funds	509,514	523,539
Total	$ 4,917,923	$ 5,429,846

NOTE 3 — FAIR VALUE MEASUREMENTS – (CONTINUED)

At June 30, 2018, the Foundation's investments were classified by level within the valuation hierarchy as follows:

		Fair Value Hierarchy Designation		
	Total	Level 1	Level 2	Level 3
Fixed income	$ 1,397,438	$ -	$ 1,397,438	$ -
Equities	2,491,943	2,491,943	-	-
Alternative investments	1,016,926	-	-	1,016,926
Real asset funds	523,539	-	-	523,539
Total	$ 5,429,846	$ 2,491,943	$ 1,397,438	$ 1,540,465

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

Balance, beginning of year	$ 1,411,647
Net gains	128,818
Balance, end of year	$ 1,540,465

NOTE 4 — FIXED ASSETS AND CAPITAL LEASE COMMITMENTS

The Foundation procured five grand pianos and associated accessories under the terms of a capital lease agreement. The lease requires annual payments of $43,227 over a ten year period, with interest imputed at 5.0%. The first of ten annual installment payments is due in December 2018.

At June 30, 2018, the balance of fixed assets under the capital lease was

Grand pianos under capital lease	$ 333,900
Less: Accumulated depreciation	3,339
Total capital leased assets, net	$ 330,561

Depreciation expense for the year ended June 30, 2018 was $3,339.

NOTE 5 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets include contributions or grants for which there are donor-imposed restrictions. Temporarily restricted net assets at June 30, 2018, consist of the following:

Steinway Campaign and Activity Fund	$	33,993
Auxiliary Organizations		12,274
Scholarships and grants		260,866
Total	$	307,133

During the year ended June 30, 2017, temporarily restricted net assets of $218,288 were released from donor restrictions by incurring expenses for scholarships, stipends, and other donor-designated programs.

Permanently restricted net assets include contributions or grants that are subject to donor imposed restrictions that can neither be removed by the passage of time nor by the actions of the Foundation. Income from permanently restricted net assets is available for either the general operations of the Foundation or the specific program that was endowed with the permanently restricted net assets. During the year ended June 30, 2018, the Foundation had the following activity in endowment funds:

Beginning balance	$	3,908,236
Contributions		205,609
Interest and dividends		67,832
Transfers		10,750
Ending Balance	$	4,192,427

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation invests its endowment funds with conservative investment objectives, including authorized investments and allocation targets and ranges, in line with its investment policy for all investments. The earnings of the Foundation's endowment funds support scholarships and awards, campus programs and projects, professorships, and Foundation operations.

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

NOTE 5 — TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS – (CONTINUED)

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment funds
- 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 Foundation
- The investment policies of the Foundation

The investment portfolio held by the Foundation includes unrestricted net assets, fiscal agent funds, and permanently restricted endowment assets. The asset allocation of the pooled investment portfolio is as follows:

	Percent of Total	Amount
Cash and cash equivalents	3%	$ 174,376
Fixed income	25%	1,397,439
Equities	44%	2,491,943
Alternative investments	18%	1,016,926
Real asset funds	9%	523,539
Total	100%	$ 5,604,222

NOTE 6 — FUNDS HELD FOR OTHERS

As part of its operations, the Foundation holds funds for various departments, projects, and auxiliary organizations of the College. As of June 30, 2018, funds held for others totaled $738,556. The composition of fiscal agent funds was as follows:

CAST Holding Fund	$ 329,011
Astronomy Group Fund	79,031
VPH Health Center Fund	51,755
General Biology Fund	33,560
Baxter Biotech Fund	26,280
PE Kinesology Fund	23,517
All other individual funds less than $20,000	195,402
Total	$ 738,556

NOTE 7 — MORTGAGE NOTE RECEIVABLE

The Foundation currently holds a mortgage note receivable that earns a fixed interest rate of 4.75% and will mature on March 2025. Future receipts of principal are summarized below.

Years Ending June 30,		
2019	$	12,814
2020		13,436
2021		14,088
2022		14,772
2023		15,489
Thereafter		28,924
Total	$	99,523

NOTE 8 — IN-KIND DONATIONS

The College handles payroll administration for the Foundation's staff and donates half of the Foundation's staffing costs. The College also provides donated space and utilities. The breakdown of in-kind donations from the College is as follows:

Personnel	$	133,274
Space and utilities		1,893
Total	$	135,167