

**THE LOS ANGELES VALLEY COLLEGE  
FOUNDATION**

**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**



**Gurseley | Schneider** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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## **Independent Auditor's Report**

To the Board of Directors  
The Los Angeles Valley College Foundation  
Valley Glen, California

We have audited the accompanying financial statements of The Los Angeles Valley College Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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 entity'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 entity'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.



The Los Angeles Valley College Foundation  
Independent Auditor's Report  
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### **Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of The Los Angeles Valley College Foundation as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Subsequent Events and Uncertainties**

As discussed in Note 8 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

*Gursey | Schneider LLP*

December 7, 2020  
Los Angeles, California

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Financial Position  
June 30, 2020

**ASSETS**

Cash and cash equivalents	\$ 575,511
Pledges and grants receivable	91,810
Mortgage note receivable	72,985
Investments	<u>6,275,275</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 7,015,581</u></u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable	\$ 36,930
Funds held for others	<u>771,721</u>
<b>TOTAL LIABILITIES</b>	<b><u>808,651</u></b>

**NET ASSETS**

Without donor restrictions	270,081
Without donor restrictions - board designated reserves	381,822
With donor restrictions	<u>5,555,027</u>
<b>TOTAL NET ASSETS</b>	<b><u>6,206,930</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 7,015,581</u></u></b>
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**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT:</b>			
Contributions	\$ 71,475	\$ 659,520	730,995
In-kind donations	143,551	-	143,551
Investment Income, net	<u>68,951</u>	<u>227,230</u>	<u>296,181</u>
Subtotal	283,977	886,750	1,170,727
Transfers and net assets released from restrictions:	<u>514,047</u>	<u>(514,047)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>798,024</u>	<u>372,703</u>	<u>1,170,727</u>
<b>EXPENSES:</b>			
Program services	763,181	-	763,181
General and administrative	200,368	-	200,368
Fundraising	<u>98,151</u>	<u>-</u>	<u>98,151</u>
<b>TOTAL EXPENSES</b>	<u>1,061,700</u>	<u>-</u>	<u>1,061,700</u>
<b>CHANGE IN NET ASSETS</b>	(263,676)	372,703	109,027
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>915,579</u>	<u>5,182,324</u>	<u>6,097,903</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 651,903</u>	<u>\$ 5,555,027</u>	<u>\$ 6,206,930</u>

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Functional Expenses  
For the Year Ended June 30, 2020

	Program Services	General and Administrative	Fundraising	Total Expenses
Accounting	\$ -	\$ 7,681	\$ -	\$ 7,681
Auxiliary groups	1,720	-	-	1,720
Bank and credit card fees	-	5,254	-	5,254
Catering	-	2,111	1,136	3,247
Conferences	-	3,100	1,669	4,769
Consultants	1,038	3,806	2,076	6,920
Departments and projects	521,147	-	-	521,147
Donor and board relations	-	2,610	1,405	4,015
Insurance	-	3,448	-	3,448
Memberships	-	3,435	-	3,435
Office supplies	-	949	511	1,460
Personnel	21,533	78,953	43,065	143,551
Personnel in-kind	21,533	78,953	43,065	143,551
Printing	-	1,964	1,057	3,021
Publications	-	-	2,278	2,278
Scholarships and awards	194,695	-	-	194,695
Student workers	945	3,464	1,889	6,298
Subscriptions	-	3,921	-	3,921
Taxes and licenses	-	150	-	150
Trophies and awards	570	569	-	1,139
	<u>\$ 763,181</u>	<u>\$ 200,368</u>	<u>\$ 98,151</u>	<u>\$ 1,061,700</u>
<i>Percent of Total Expenses</i>	<u>71.9%</u>	<u>18.9%</u>	<u>9.2%</u>	<u>100.0%</u>

See Accompanying Notes to Financial Statements

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Cash Flows  
For the Year Ended June 30, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 109,027
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Realized and unrealized losses on investments	(128,331)
Non-cash donation of property - Steinway pianos	323,883
(Increase) decrease in assets:	
Pledges and grants receivable	(65,170)
Increase (decrease) in liabilities:	
Accounts payable and accrued interest	23,014
Funds held for others	1,922
	<u>264,345</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Mortgage note receivable proceeds	13,711
Proceeds from sales and maturities of investments	6,252,510
Purchases of investments	<u>(6,693,516)</u>
	<u>(427,295)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	
	(162,950)
<b>NET DECREASE IN CASH</b>	
	(162,950)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>738,461</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u><u>\$ 575,511</u></u>

See Accompanying Notes to Financial Statements

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**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, net assets of the Foundation and changes therein are classified and reported as follows:

- *Without Donor Restrictions* — These generally result from revenues generated by receiving unrestricted contributions, providing program services less expenses incurred in providing program related services, receiving interest from investments, and performing administrative functions. During the year ended June 30, 2020, the board had designated otherwise unrestricted net assets as being restricted for long-term purposes amounting to \$381,822.
- *With Donor Restrictions* — Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in *temporarily restricted net assets*, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in *permanently restricted net assets*, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation’s actions. The Foundation had \$5,555,027 in donor restricted net assets at June 30, 2020 .

**Reclassifications** – Certain amounts have been reclassified from prior year to conform to the current year presentation.

**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.

**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.

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

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

**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. Investment management fees are completely allocated to net assets without donor restrictions.

**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 \$143,551 for the year ended June 30, 2020.

**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. This allocation is generally based on salary costs multiplied by the hours each employee allocates to program, support and/or fundraising expenses.

**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, 2020, there are no scholarships payable.

**Grants** – Department and project grants made by the Foundation are recognized as an expense in the period in which they are approved, provided the grant is not subject to future contingencies. If these grants are paid over a period exceeding one year, they are recorded at the net present value of future cash payments, using an approximately applicable risk-free rate of return which approximates the U.S. Treasury bill rate of similar duration to the grant obligation. Grants that are conditioned upon future events are expensed when those conditions are substantially met.

During the year ended June 30, 2020, the Foundation donated its five grand pianos with a book value of \$323,883 to the College. This amount is recorded as a non-cash contribution of property.

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**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 except that they are used to further the various departments and programs at the College. 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.

Three donors accounted for 34% of total contributions during the year ended June 30, 2020 and one donor accounted for 77% of pledges and grants receivable at June 30, 2020. This donor has provided substantial financial support to the Foundation. No allowance for uncollectible pledges has been provided.

**Risks and Uncertainties** — Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the statement of financial position and statement of activities and changes in net assets.

**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, 2020, the Foundation recognized no interest or penalties.

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
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Notes to Financial Statements  
For the Year Ended June 30, 2020

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

The Foundation's federal income tax and informational returns remain subject to examination for tax years 2017 and subsequent by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for tax years 2016 and subsequent.

**Recently Adopted Accounting Principles** – As of January 1, 2019, the Foundation adopted Accounting Standards Update No. 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 provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU clarifies how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction. ASU 2018-08 defines a contribution as “an unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity, or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner.” Thus, the transfer of assets or settlement of liabilities must be both voluntary and nonreciprocal to be a contribution. These characteristics distinguish contributions from exchanges, which are reciprocal transfers in which each party receives and sacrifices approximate commensurate value.

Contributions are accounted for within the scope of ASC Topic 958, *“Not-for-Profit Entities.”* Exchanges are subject to other guidance, such as ASC Topic 606, *“Revenue from Contracts with Customers”* (ASC Topic 606). The application of these different accounting rules affects when revenue is recognized; unconditional contributions are recognized in the period when either assets or specified assets are received or promised, while exchanges are recognized as revenue when performance obligations are satisfied. The adoption of ASU 2018-08 did not have any effect on the Foundation's financial statements.

**NOTE 3 — LIQUIDITY AND AVAILABLE RESOURCES**

Financial assets consist of the Foundation's cash, cash equivalents, investments, and accounts and mortgage note receivable within one year. The following schedule summarizes the Foundation's financial assets available to meet cash needs for financial obligations due within one year of June 30, 2020.

Cash and cash equivalents	\$ 575,511
Pledges and grants receivable	91,810
Mortgage note receivable, current	14,088
Investments	<u>6,275,275</u>
Subtotal	6,956,684
Less:	
Funds held for others	(771,721)
Net assets with donor restrictions	(5,555,027)
Board-designated restricted net assets	<u>(381,822)</u>
	<u><u>\$ 248,114</u></u>

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 3 — LIQUIDITY AND AVAILABLE RESOURCES – (CONTINUED)**

The Foundation has an investment policy authorized by the board of directors that provides guidance and oversight for the management of cash and cash equivalents and investments. The policy provides that the Foundation maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Foundation, the time horizon of those needs and the board of director’s investment philosophy.

**NOTE 4 — PLEDGES AND GRANTS RECEIVABLE**

Pledges receivable at June 30, 2020 are expected to be collected as follows:

Years Ending June 30,	
2021	\$ 73,400
2022	5,810
2023	6,300
2024	6,300
	\$ 91,810

Amounts due beyond one year have not been discounted as the present value of these amounts is not significantly different from the nominal value.

**NOTE 5 — INVESTMENTS**

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)

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 5 — INVESTMENTS – (CONTINUED)**

At June 30, 2020, the Foundation's investments (excluding note receivable) consisted of:

	<u>Cost</u>	<u>Fair Value</u>
<u>Mutual Funds</u>		
Fixed income	\$ 2,064,962	\$ 2,136,543
Equities	4,024,542	3,950,823
Alternative investments	<u>155,472</u>	<u>187,909</u>
Total	<u>\$ 6,244,976</u>	<u>\$ 6,275,275</u>

At June 30, 2020, the Foundation's investments were classified by level within the valuation hierarchy as follows:

	<u>Fair Value Hierarchy Designation</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Mutual Funds</u>				
Fixed income	\$ 2,136,543	\$ 2,136,543	\$ -	\$ -
Equities	3,950,823	3,950,823	-	-
Alternative investments	<u>187,909</u>	<u>187,909</u>	-	-
Total	<u>\$ 6,275,275</u>	<u>\$ 6,275,275</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ending June 30, 2020 consists of the following:

Interest and dividends	\$ 189,443
Realized gains and losses, net	633,961
Unrealized gains and losses, net	(505,630)
Advisor fees	<u>(21,593)</u>
	<u>\$ 296,181</u>

**NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS**

Temporarily restricted net assets include contributions or grants for which there are donor-imposed restrictions. Temporarily restricted net assets at June 30, 2020, consist of the following:

Steinway Piano and Activity Fund	\$ 24,191
Auxiliary Organizations	13,869
Time Restricted - Board pledges	21,190
Scholarships and program grants	<u>535,385</u>
	<u>\$ 594,635</u>

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 6 —NET ASSETS WITH DONOR RESTRICTIONS – (CONTINUED)**

During the year ended June 30, 2020, temporarily restricted net assets of \$514,047 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. Five percent of investment income from the permanently restricted is allocated to general operations of the Foundation. During the year ended June 30, 2020, the Foundation had the following activity in endowment funds:

Beginning balance	\$ 4,649,489
Contributions	207,594
Realized and unrealized gains, net	88,788
Interest and dividends allocated	16,852
Other	<u>(2,331)</u>
Ending balance	<u><u>\$ 4,960,392</u></u>

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 fund 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.

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
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Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 6 — NET ASSETS WITH DONOR RESTRICTIONS – (CONTINUED)**

In accordance with SPMIFA, the foundation considers the following factors in deciding 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	2%	\$ 141,957
Fixed income	33%	2,136,543
Equities	62%	3,950,823
Alternative investments	3%	187,909
Total	100%	\$ 6,417,232

**NOTE 7 — 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, 2020, funds held for others totaled \$771,721. The composition of fiscal agent funds was as follows:

CAST Holding Fund	\$ 302,791
Astronomy Group Fund 03	76,908
General Biology Fund 15	48,092
Health Center Fund	43,881
Baxter Biotech Fund-Ciufo	24,681
Dance Program 08	23,617
PE Kinesiology 35	22,776
Library Fund	20,085
Media Arts Fund	19,009
All other fiscal agent fund accounts	189,881
Total	\$ 771,721

**THE LOS ANGELES VALLEY COLLEGE FOUNDATION**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 8 — MORTGAGE NOTE RECEIVABLE**

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

<u>Years Ending June 30,</u>	
2021	\$ 14,088
2022	14,772
2023	15,489
2024	16,241
2025	<u>12,395</u>
	<u>\$ 72,985</u>

**NOTE 9 — 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	<u>\$ 143,551</u>
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**NOTE 10 — RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2019, management and certain members of the Board of Director’s made pledges and contributions (excluding board fees) to the Foundation amounting to \$14,500. Of the pledges, amounts due from the board and management as of June 30, 2020, amounted to \$9,430. This receivable balance is included in accounts receivables in the statement of financial position.

**NOTE 11 — SUBSEQUENT EVENTS AND UNCERTAINTY**

Management has reviewed subsequent events through December 7, 2020, the date the financial statements were available to be issued. The following subsequent event was noted:

Global Pandemic

COVID-19 Global Pandemic – On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The global economy and financial markets have been impacted by the global outbreak as of the date of this report and management continues to monitor conditions. LAVCF is following local, state, and federal pandemic guidance.