LOS ANGELES CITY COLLEGE FOUNDATION

(A CALIFORNIA NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

LOS ANGELES CITY COLLEGE FOUNDATION
(A California Nonprofit Corporation)

DECEMBER 31, 2018

TABLE OF CONTENTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles City College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
April 25, 2019

LOS ANGELES CITY COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,151,079
Accounts receivable	64,016
Due from Los Angeles City College	28,582
Unconditional promises to give	100,000
Investments	24,183,426
Total Current Assets	25,527,103
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for CA Community Colleges	150,000
Unconditional promises to give - long-term portion - net	192,742
Capital assets (net of accumulated depreciation)	14,279
Total Noncurrent Assets	357,021
Total Assets	$ 25,884,124
LIABILITIES AND NET ASSETS	
Accounts payable	$ 2,795
Compensated absences	15,932
Funds held for others	570,640
Total Current Liabilities	589,367
NET ASSETS	
Without donor restrictions	651,698
With donor restrictions	24,643,059
Total Net Assets	25,294,757
Total Liabilities and Net Assets	$ 25,884,124

See the accompanying notes to financial statements.

LOS ANGELES CITY COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Donations			
General	$ 42,819	$ 2,555,321	$ 2,598,140
In-kind contributions	10,750	-	10,750
Community Partnership	688,027	-	688,027
Special events	19,700	-	19,700
Grants	-	499,510	499,510
Vending	5,030	-	5,030
Miscellaneous revenue	5,829	11	5,840
Administrative fees	235,758	(235,758)	-
Net assets released from restrictions	2,625,503	(2,625,503)	-
Total Public Support and Revenues	3,633,416	193,581	3,826,997
EXPENSES			
Operating	490,424	-	490,424
Program	3,021,689	-	3,021,689
Fundraising	45,500	-	45,500
Total Expenses	3,557,613	-	3,557,613
OTHER INCOME (LOSS)			
Unrealized loss on investments	(44,201)	(1,056,457)	(1,100,658)
Interest and dividends	2,902	524,793	527,695
Total Other Income (Loss)	(41,299)	(531,664)	(572,963)
TRANSFERS	(10,518)	10,518	-
CHANGE IN NET ASSETS	23,986	(327,565)	(303,579)
NET ASSETS, BEGINNING OF YEAR	627,712	24,970,624	25,598,336
NET ASSETS, END OF YEAR	$ 651,698	$ 24,643,059	$ 25,294,757

See the accompanying notes to financial statements.

LOS ANGELES CITY COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (303,579)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Depreciation	5,370
Unrealized loss on investments	1,100,658
Contributions with donor restrictions	(2,555,321)
Changes in Operating Assets and Liabilities	
Accounts receivable	172,013
Due from Los Angeles City College	13,933
Unconditional promise to give	265,390
Accounts payable	(3,492)
Compensated absences	4,832
Cash overdraft	(66,720)
Funds held for others	(36,167)
Net Cash Flows From Operating Activities	(1,403,083)
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in investments - net	(2,324,007)
Purchase of equipment	(11,795)
Net Cash Flows From Investing Activities	(2,335,802)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions with donor restrictions	2,555,321
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,183,564)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,334,643
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,151,079

See the accompanying notes to financial statements.

LOS ANGELES CITY COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating	Program	Fundraising	Total
Bank charges and service fees	$ 5,189	$ -	$ -	$ 5,189
Database maintenance and research	16,937	24,372	-	41,309
Depreciation	5,370	-	-	5,370
Equipment	6,051	550,296	-	556,347
Gala expenses	-	-	45,500	45,500
Gift in kind	10,750	-	-	10,750
Good and welfare	2,866	-	-	2,866
Grant in aid	6,178	-	-	6,178
Los Angeles City College departmental support	5,129	755,154	-	760,283
Indirect costs	-	49,645	-	49,645
Insurance	25,000	-	-	25,000
Investment fees	-	135,892	-	135,892
Meetings	7,593	30,813	-	38,406
Miscellaneous	22,333	-	-	22,333
Office supplies and graphic arts	13,436	1,541	-	14,977
Postage and printing	11,258	902	-	12,160
Productions expenses	-	39,650	-	39,650
Professional development, fees and subscription	12,004	1,876	-	13,880
Professional services	39,545	223,700	-	263,245
Program expenses and supplies	-	81,346	-	81,346
Salaries and benefits	258,379	391,053	-	649,432
Scholarships	-	513,685	-	513,685
Software and website	20,406	13,848	-	34,254
Special events - miscellaneous	3,419	-	-	3,419
Stipends and tuition	-	140,153	-	140,153
Taxes, permits, and licenses	145	49,500	-	49,645
Transportation, parking, car allowance	15,890	8,651	-	24,541
Travel	2,547	9,611	-	12,158
Total Expenses	$ 490,425	$ 3,021,688	$ 45,500	$ 3,557,613

See the accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

Financial Statement Presentation

The Foundation and the College are financial 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 College 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 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. 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.

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.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. The fair value of investments in partnerships and real estate held as investments is estimated using private valuations of the securities or properties held. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

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 support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about how the contributions are to be spent, the Foundation reports these contributions as without donor restrictions.

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.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. As of December 31, 2018, cash accounts maintained by the Foundation were insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). In addition, cash amounts maintained within the investment accounts were insured up to $500,000 by the Securities Investor Protection Corporation (SIPC). At December 31, 2018, balances held in financial institutions of $431,630 were not fully insured.

Investments

The Foundation presents its investments in accordance with FASB ASC Topic 958-320, *Investments Debt and Equity Securities*. Under FASB ASC Topic 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in accordance with donor instructions.

Pledges Receivable

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 present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates, based on Management's assumptions.

Capital Assets

The Foundation maintains an initial unit cost capitalization threshold of $500. Capital assets are stated at cost or, if donated, at estimated fair value on the date of donation. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight line method based on the assets' estimated useful lives of the respective property for five years.

Donated Services and Facilities

A substantial number of volunteers, including Board members, have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

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

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 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.

Income Taxes

The Foundation is exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been recorded in the financial statements. The Foundation annually files Forms 990, 199, and RRF-1 with the appropriate agencies, as well as Forms 990T and 199T when applicable. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

The Foundation's Federal informational tax returns for the years ended December 31, 2015, 2016, and 2017, are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2014, 2015, 2016, and 2017, are open to audit by State authorities.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis on the statement of activities and detailed on the statement of functional expenses. The costs have been allocated to the functional categories based upon management's estimates.

Accounting Pronouncements Adopted

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 December 31, 2018.

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, 2019. Although the full impact of this Update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

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 accounting principles generally accepted in the United States of America (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 the Update 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:

Accounts receivable	$ 64,016
Due from Los Angeles City College	28,582
Investments	511,390
	$ 603,988

Liquidity Management

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

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of December 31, 2018:

Community Partnership	$ 64,016

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of December 31, 2018:

Hollywood Foreign Press	$ 300,000
Less: Unamortized discount	(7,258)
Net Unconditional Promises to Give	$ 292,742

Amounts Due in:	
Less than one year	$ 100,000
One to five years	192,742
Total Unconditional Promises to Give	$ 292,742

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.29 percent.

NOTE 5 - INVESTMENTS

Investments are presented at fair value in the financial statements and are composed of the following at December 31, 2018:

	Adjusted Cost	Fair Market Value	Unrealized Loss
Equities	$ 22,707,297	$ 21,718,811	$ (988,486)
Foreign assets	2,576,787	2,464,615	(112,172)
	$ 25,284,084	$ 24,183,426	$ (1,100,658)

Net investment income (loss) for the year ended December 31, 2018, consists of the following:

Unrealized loss on investments	$ (1,100,658)
Interest and dividends	527,695
Investment fees	(135,892)
Total Investment Loss, Net	$ (708,855)

NOTE 6 - ASSETS AND LIABILITIES RECORDED AT FAIR VALUE ON A RECURRING BASIS

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in the Statement of Financial Accounting Standards, *Fair Value Measurements*, 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.

Fair Value Measurements

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2018. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2018.

Assets	Level I	Level III	Total
Equities	$ 21,718,811	$ -	$ 21,718,811
Foreign assets	2,464,615	-	2,464,615
California Community Colleges Scholarship Endowment Fund	150,000	-	150,000
Other Assets			
Unconditional promises to give, net	-	292,742	292,742
Total	$ 24,333,426	$ 292,742	$ 24,626,168

The following table summarizes the changes in the Foundation's investment assets measured at fair value on a recurring basis as of December 31, 2018:

	Level III
Other Assets at Fair Value	
Balance at December 31, 2017	$ 558,132
Current Year Adjustments:	
Unconditional promises to give	(265,390)
Balance at December 31, 2018	$ 292,742

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

In May 2008, the California Community Colleges Scholarship Endowment (the CCCS Endowment) was launched via a gift of $25 million from the Bernard Osher Foundation (the Osher Foundation) to the Foundation for California Community Colleges (the FCCC). The FCCC and California's community colleges were challenged with raising an additional $50 million through June 2011, for which the Osher Foundation agreed to provide a 50 percent match of up to $25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California's community college system based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation. All of the funds contributed to the CCCS Endowment, regardless of source, are irrevocable gifts to the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students at the College and the accumulated earnings, which does not include any funds contributed by the Osher Foundation. In order to take advantage of this opportunity, the College and its donors have contributed $150,000 from the agency accounts that reside in the Foundation. As of December 31, 2018, the ending balance of the Osher Endowment Scholarship was $150,000. 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 - CAPITAL ASSETS

The following is a summary of capital assets as of December 31, 2018:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Equipment	$ 76,157	$ 11,795	$ -	$ 87,952
Accumulated depreciation	(68,303)	(5,370)	-	(73,673)
Net Property and Equipment	$ 7,854	$ 6,425	$ -	$ 14,279

Depreciation expense for the year ended December 31, 2018, was $5,370.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Foundation provides various levels of monetary support and service to the College. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense. The College provides office space and other support to the Foundation. The value of this support has not been calculated and is not reflected within these financial statements. As of December 31, 2018, the Foundation was owed $28,582 from the College for student financial assistance paid to students in advance of the College processing the awards. These amounts are owed to the Foundation upon processing the students' aid.

NOTE 10 - ENDOWMENT FUNDS

The 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 has classified as permanently restricted net assets (a) 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 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 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.

Endowment net asset as of December 31, 2018, is as follows:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 22,991,530

Balance at December 31, 2017	$ 22,944,422
Contributions	1,290,798
Change in value of investments	(1,056,457)
Transfers in	623,154
Amounts appropriated for expenditures	(810,387)
Balance at December 31, 2018	$ 22,991,530

NOTE 11 - FUNDS HELD FOR OTHERS

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

Beginning balance	$ 606,807
Donations	686,788
Expenses	(722,955)
Ending balance	$ 570,640

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

NOTE 12 - RETIREMENT PLAN

The Foundation offers a defined contribution plan (the Plan) to employees in accordance with Internal Revenue Code Section 403(b). The Plan is available to all full-time employees of the Foundation. This Plan allows for employee deferrals and elective employer contributions. Participants are immediately 100 percent vested in all contributions to the Plan. The Foundation made contributions of $4,440 during the year ended December 31, 2018.

NOTE 13 - TRANSFERS BETWEEN FUNDS

During the year ended December 31, 2018, Foundation management made transfer from funds without donor restrictions to various funds with donor restrictions in support of restricted programs offered by the Foundation. In addition, various transfers were performed between funds with donor restrictions based on management's determination of donor intent.

NOTE 14 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions from December 31, 2018, through April 25, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Los Angeles City College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated April 25, 2019.

Internal Control Over Financial Reporting

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

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

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

10681 Foothill Blvd., Suite 300, Rancho Cucamonga, CA 91730 P 909.466.4410 F 909.466.4431 W vtdcpa.com

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Foundation in a separate letter dated April 25, 2019.

Purpose of this Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
April 25, 2019