Financial Statements
December 31, 2019

Los Angeles City College Foundation

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Independent Auditor's Report

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

Report on the 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, 2019, and the related statements of activities, functional expenses and cash flows, for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 13 to the financial statements, certain errors resulting in incorrect classification of net asset restrictions previously reported as of December 31, 2018, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for beginning net assets have been restated in the 2018 financial statements now presented, and an adjustment has been made to net assets restrictions as of December 31, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
May 6, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 1,456,236
Accounts receivable	56,079
Due from Los Angeles City College	18,988
Unconditional promises to give	105,000
Investments	31,548,293
Total current assets	33,184,596
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for CA Community Colleges	207,680
Unconditional promises to give - long-term portion - net	14,569
Capital assets (net of accumulated depreciation)	10,601
Total noncurrent assets	232,850
Total assets	$ 33,417,446
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 5,229
Compensated absences	18,039
Funds held for others	755,536
Total current liabilities	778,804
Net Assets	
Without donor restrictions	
Undesignated	733,918
Board designated	121,954
Total without donor restrictions	855,872
With donor restrictions	31,782,770
Total net assets	32,638,642
Total liabilities and net assets	$ 33,417,446

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Donations			
General	$ 75,138	$ 624,624	$ 699,762
In-kind contributions	75,766	-	75,766
Community Partnership	657,450	-	657,450
Special events	419,735	225,000	644,735
Grants	-	468,370	468,370
Miscellaneous revenue	27,667	-	27,667
Net assets released from restrictions	1,665,262	(1,665,262)	-
Total Public Support and Revenues	2,921,018	(347,268)	2,573,750
Expenses			
Management and general	671,190	-	671,190
Program	1,995,790	-	1,995,790
Fundraising	215,692	-	215,692
Total Expenses	2,882,672	-	2,882,672
Other Income			
Unrealized gain on investments	206,669	6,938,000	7,144,669
Interest and dividends, net of fees	9,159	431,899	441,058
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	67,080	67,080
Total Other Income	215,828	7,436,979	7,652,807
Change in Net Assets	254,174	7,089,711	7,343,885
Net Assets, Beginning of Year, Restated	601,698	24,693,059	25,294,757
Net Assets, End of Year	$ 855,872	$ 31,782,770	$ 32,638,642

	Management and General	Program	Fundraising	Total
Advertising	$ 1,000	$ -	$ -	$ 1,000
Bank charges and service fees	4,697	-	7,906	12,603
Database maintenance and research	25,204	36,268	-	61,472
Depreciation	5,814	-	-	5,814
Equipment	3,737	44,768	-	48,505
Gala expenses	-	-	146,507	146,507
Gift in kind	75,766	-	-	75,766
Good and welfare	7,869	-	-	7,869
Grant in aid	9,620	1,000	-	10,620
Los Angeles City College departmental support	-	465,624	-	465,624
Indirect costs	-	81,594	-	81,594
Insurance	25,645	-	-	25,645
Meetings	7,643	24,602	-	32,245
Office supplies and graphic arts	14,390	1,639	4,560	20,589
Postage and printing	9,044	-	12,548	21,592
Productions expenses	1,400	1,500	28,160	31,060
Professional development, fees and subscription	8,025	4,453	-	12,478
Professional services	89,603	175,073	-	264,676
Program expenses and supplies	-	47,786	-	47,786
Salaries and benefits	319,273	459,441	-	778,714
Scholarships	-	466,611	4,000	470,611
Software and website	10,947	47,515	-	58,462
Special events - miscellaneous	10,012	-	11,704	21,716
Stipends and tuition	-	111,112	-	111,112
Taxes, permits, and licenses	156	-	-	156
Transportation, parking, car allowance	19,106	4,144	307	23,557
Travel	22,239	22,660	-	44,899
Total expenses	$ 671,190	$ 1,995,790	$ 215,692	$ 2,882,672

Operating Activities	
Change in net assets	$ 7,343,885
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities	
Depreciation	5,814
Unrealized gain on investments	(7,144,669)
Contributions with donor restrictions	(518,567)
Distributions from beneficial interest in assets held by the Foundaiton for California Community Colleges	9,400
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(67,080)
Changes in Operating Assets and Liabilities	
Accounts receivable	7,937
Due from Los Angeles City College	9,594
Unconditional promise to give	173,173
Accounts payable	2,434
Compensated absences	2,107
Funds held for others	184,896
Net Cash Flows From Operating Activities	8,924
Investing Activities	
Purchase of investments	(220,198)
Purchase of equipment	(2,136)
Net Cash Flows From Investing Activities	(222,334)
Financing Activities	
Contributions with donor restrictions	518,567
Net Change in Cash and Cash Equivalents	305,157
Cash and Cash Equivalents, Beginning of Year	1,151,079
Cash and Cash Equivalents, End of Year	$ 1,456,236

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 accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the College are financially interrelated organizations as defined by Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others. The Foundation reflects contributions received for the benefit of the College as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board designated endowment as described in Note 10.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

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. The Foundation records special events revenue equal to the cost of direct benefit to donors, and contribution revenue for the difference.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution is made. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contract revenue is recognized after services have been rendered and any performance obligations have been 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 original maturities of less than 90 days. As of December 31, 2019, 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, 2019, balances held in financial institutions of $654,554 were not fully insured.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment or economic conditions, and a review of subsequent collections. Promise to give are written off when deemed uncollectable. Management has determined all amounts to be collectable.

Capital Assets

The Foundation maintains an initial unit cost capitalization threshold of $500. Capital assets are stated at cost or, if donated, at estimated fair value on the date of donation. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight line method based on the assets' estimated useful lives of the respective property for five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities.

Beneficial Interest in Assets held by Community Foundation

During 2008, the Foundation established an endowment fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Osher Endowment Scholarship program and named the Foundation as a beneficiary. Variance power was granted to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Donated Services and Facilities

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

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

Community Partnership

Community Partnership revenue was $657,450 as of December 31, 2019. These revenues were used to support 98% of the general operations of the Foundation.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 was $1,000.

Use of Estimates

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

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, 2016, 2017 and 2018 are open to audit by the Federal authorities. California State informational returns for the years ended December 31, 2015, 2016, 2017 and 2018, are open to audit by State authorities.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include database maintenance and research, which is allocated based on estimates of usage, and salaries and benefits, which is allocated on the basis of estimates of time and effort.

Recently Adopted Accounting Standard

As of January 1, 2019, the Foundation adopted the provisions of FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which provides a comprehensive revenue recognition model for all contracts with customers. The new model requires revenue recognition to depict the transfer of promised goods or services to customers at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Foundation has adopted Topic 606 using the full retrospective approach. The adoption of this standard had no significant effect on the December 31, 2018 financial statements.

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	$ 56,079
Due from Los Angeles City College	18,988
Investments	771,654
	$ 846,721

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, 2019:

Community Partnership	$ 56,079

Note 4 - Unconditional Promises to Give

Unconditional promises to give consist of the following as of December 31, 2019:

Unconditional promises to give	$ 120,000
Less unamortized discount	(431)
Net unconditional promises to give	$ 119,569
Amounts Due in	
Less than one year	$ 105,000
One to five years	14,569
Total unconditional promises to give	$ 119,569

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 2.20 percent.

Note 5 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at December 31, 2019:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Equities	$ 23,959,550	$ 30,974,207	$ 7,014,657
Real Estate	444,074	574,086	130,012
	$ 24,403,624	$ 31,548,293	$ 7,144,669

Net investment income for the year ended December 31, 2019, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends, net of fees	$ 9,159	$ 431,899	$ 441,058
Unrealized gain on investments	206,669	6,938,000	7,144,669
Total Investment Income	$ 215,828	$ 7,369,899	$ 7,585,727

Note 6 - Assets and Liabilities Recorded at Fair Value on A Recurring Basis

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level III - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2019.

	Level I	Level II	Level III	Total
Assets				
Equities	$ 30,974,207	$ -	$ -	$ 30,974,207
Real Estate	574,086	-	-	574,086
Beneficial Interest in assets held by the Foundation for California Community Colleges	-	-	207,680	207,680
Other Assets				
Unconditional promises to give, net	-	-	119,569	119,569
Total	$ 31,548,293	$ -	$ 327,249	$ 31,875,542

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ending December 31, 2019:

	Beneficial Interests By the FCCC	Unconditional to Give, net
Balance at December 31, 2018	$ 150,000	$ 292,742
Investment return, net	67,080	-
Distributions	(9,400)	-
Contributions of unconditional promises to give	-	25,000
Collections of unconditional promises to give	-	(198,173)
Balance at December 31, 2019	$ 207,680	$ 119,569

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis.

Note 7 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges

In May 2008, the California Community Colleges Scholarship Endowment (the CCCS Endowment) was launched via a gift of $25 million from the Bernard Osher Foundation (the Osher Foundation) to the Foundation for California Community Colleges (the FCCC). The FCCC and California's community colleges were challenged with raising an additional $50 million through June 2011, for which the Osher Foundation agreed to provide a 50 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, 2019, the ending balance of the Osher Endowment Scholarship was $207,680. The Foundation does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 8 - Capital Assets

The following is a summary of capital assets as of December 31, 2019:

Equipment	$	90,088
Accumulated depreciation		(79,487)
Net property and equipment	$	10,601

Depreciation expense for the year ended December 31, 2019, was $5,814.

Note 9 - Related Party Transactions

Los Angeles City College

The Foundation provides various levels of monetary support and service to the College. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense. The College provides office space and other support to the Foundation. The value of this support has not been calculated and is not reflected within these financial statements. As of December 31, 2019, the Foundation was owed $18,988 from the College for student financial assistance paid to students in advance of the College processing the awards. These amounts are owed to the Foundation upon processing the students' aid.

Note 10 - Endowment Funds

The Foundation's endowment (the Endowment) consists of approximately 158 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of December 31, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 121,954	$ -	$ 121,954
Donor-restricted endowment funds			
Original donor-restricted gift amount And amounts required to be maintained in perpetuity by donor	-	21,153,101	21,153,101
Accumulated investment gains	-	8,995,028	8,995,028
	$ 121,954	$ 30,148,129	$ 30,270,083

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment Investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

An endowment spending-rate formula is used to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2019, the spending rate maximum was 5.0 percent. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in Endowment net assets for the year ended December 31, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 22,991,530	$ 22,991,530
Contributions	110,289	518,567	628,856
Change in value of investments	11,665	7,009,217	7,020,882
Transfers in	-	140,600	140,600
Amounts appropriated for expenditures	-	(511,785)	(511,785)
Endowment net assets, end of year	$ 121,954	$ 30,148,129	$ 30,270,083

Note 11 - Funds Held for Others

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

Balance at December 31, 2018	$ 570,640
Donations	566,701
Expenses	(381,805)
Balance at December 31, 2019	$ 755,536

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 $4,740 during the year ended December 31, 2019.

Note 13 - Restatement

When reviewing the individual funds within the net assets, the Foundation became aware of funds being improperly classified. The balance was adjusted in the current year, restating the beginning net assets. There was no effect on the change in net assets for the fiscal year ended December 31, 2018, as a result of the restatement. The effect on the Foundation's statement of activities as of December 31, 2018 is as follows:

	As Previoulsy Reported	Adjustment	As Restated
Net Assets, End of Year			
Net assets without donor restrictions	$ 651,698	$ (50,000)	$ 601,698
Net assets with donor restrictions	24,643,059	50,000	24,693,059

Note 14 - Subsequent Events

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

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated May 6, 2020.

Correction of Error

As discussed in Note 13 to the financial statements, certain errors resulting in incorrect classification of net asset restrictions previously reported as of December 31, 2018, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for beginning net assets have been restated in the 2018 financial statements now presented, and an adjustment has been made to net assets restrictions as of December 31, 2018, to correct the error. Our opinion is not modified with respect to that matter.

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.

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*.

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.

Eide Bailly LLP

Rancho Cucamonga, California
May 6, 2020