Financial Statements
December 31, 2022

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 Audit of the Financial Statements

Opinion

We have audited 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, and the change 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2023, 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 3, 2023

Assets	
Current Assets	
Cash and cash equivalents	$ 3,287,818
Accounts receivable	201,720
Due from Los Angeles City College	67,150
Unconditional promises to give	105,000
Investments	37,460,164
Total current assets	41,121,852
Noncurrent Assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	190,300
Unconditional promises to give, net of amortized discount	98,515
Property and equipment, net of accumulated depreciation	11,251
Total noncurrent assets	300,066
Total assets	$ 41,421,918
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 59,891
Compensated absences	30,846
Total current liabilities	90,737
Net Assets	
Without donor restrictions	
Undesignated	2,236,093
Board designated	108,682
Total without donor restrictions	2,344,775
With donor restrictions	38,986,406
Total net assets	41,331,181
Total liabilities and net assets	$ 41,421,918

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Donations			
General	$ 149,570	$ 474,136	$ 623,706
In-kind contributions	183,798	331,749	515,547
Community Partnership	468,431	-	468,431
Special events	548,730	-	548,730
Federal grant	630,672	-	630,672
Grants	6,839	1,236,989	1,243,828
Parking revenue	-	221,375	221,375
Pass-through income	-	268,125	268,125
Filming	170,545	-	170,545
PPP Loan forgiveness	160,695	-	160,695
Miscellaneous revenue	24,436	124	24,560
Grant indirect cost recovery	94,892	(94,892)	-
Administrative fees	689,349	(689,349)	-
Net assets released from restrictions	2,133,899	(2,133,899)	-
Total public support and revenues	5,261,856	(385,642)	4,876,214
Expenses			
Management and general	685,094	-	685,094
Program	3,131,688	-	3,131,688
Fundraising	161,980	-	161,980
Total expenses	3,978,762	-	3,978,762
Other Income (Losses)			
Realized gain on sale of investments	103,095	4,496,681	4,599,776
Unrealized loss on investments	(401,231)	(13,825,380)	(14,226,611)
Loss on disposal of property and equipment	-	(250)	(250)
Interest and dividends, net of fees	7,917	452,925	460,842
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	(34,316)	(34,316)
Total other income (losses)	(290,219)	(8,910,340)	(9,200,559)
Change in Net Assets	992,875	(9,295,982)	(8,303,107)
Net Assets, Beginning of Year	1,351,900	48,282,388	49,634,288
Net Assets, End of Year	$ 2,344,775	$ 38,986,406	$ 41,331,181

	Management and General	Program	Fundraising	Total
Administration expense	$ -	$ 25,523	$ -	$ 25,523
Bank charges and service fees	14,059	-	-	14,059
Bad debt expense	15,988	-	-	15,988
Contributions	-	1,000	-	1,000
Database maintenance and research	15,550	22,377	-	37,927
Depreciation	4,906	-	-	4,906
Equipment	-	37,967	-	37,967
Gala expenses	-	-	161,980	161,980
Gift in kind	-	443,455	-	443,455
Gift in kind - donated office space	72,092	-	-	72,092
Good and welfare	5,751	-	-	5,751
Grant in aid	-	235,544	-	235,544
Los Angeles City College departmental support	-	246,970	-	246,970
Insurance	28,434	-	-	28,434
Meals and entertainment	6,122	78,927	-	85,049
Miscellaneous	946	5,525	-	6,471
Office supplies and graphic arts	10,074	2,002	-	12,076
Postage and printing	4,145	557	-	4,702
Professional development, fees and subscription	11,361	9,425	-	20,786
Professional services	33,011	157,787	-	190,798
Program expenses and supplies	-	500,284	-	500,284
Salaries and benefits	447,650	644,180	-	1,091,830
Scholarships	-	597,307	-	597,307
Software and website	11,225	-	-	11,225
Stipends and tuition	-	88,102	-	88,102
Taxes, permits, and licenses	175	23,291	-	23,466
Transportation, parking, car allowance	2,820	2,391	-	5,211
Travel	785	9,074	-	9,859
Total expenses	$ 685,094	$ 3,131,688	$ 161,980	$ 3,978,762

Operating Activities	
Change in net assets	$ (8,303,107)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	4,906
Loss on disposal of property and equipment	250
Unrealized loss on investments	14,226,611
Realized gain on investments	(4,599,776)
Contributions restricted for long-term purposes	(295,786)
Write off bad debt	15,988
Forgiveness of PPP loan	(160,695)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	11,250
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	34,316
Changes in assets and liabilities	
Accounts receivable	(59,677)
Due from Los Angeles City College	(51,199)
Unconditional promise to give	104,596
Accounts payable	(4,228)
Compensated absences	(3,148)
Net Cash Flows From Operating Activities	920,301
Investing Activities	
Purchases of property and equipment	(7,818)
Purchase of investments	(9,008,762)
Proceeds from sale of investments	9,026,059
Net Cash Flows From Investing Activities	9,479
Financing Activities	
Receipt of contributions restricted for long-term purposes	295,786
Change in Cash and Cash Equivalents	1,225,566
Cash and Cash Equivalents, Beginning of Year	2,062,252
Cash and Cash Equivalents, End of Year	$ 3,287,818

Note 1 - Nature of 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 financially interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards of Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net Assets Accounting

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed 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. Net assets without donor restrictions represents all resources over which the governing board has discretionary control for use in operating the Foundation. The governing board has designated, from net assets without donor restrictions, net assets for a board designated endowment as described in Note 10.
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> *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.

Revenue and Revenue Recognition

Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Contributions are reported as 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 released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

Foundation's revenue arrangements generally consist of a single performance obligation to transfer services. There are no significant contract assets, accounts receivable, or contract liabilities associated with these revenue streams.

Donated Services and Facilities

A substantial number of volunteers 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 because the recognition criteria were not met.

During the year, office space is provided by the College on behalf of the Foundation. The donated space was valued at $72,092 for the fiscal year ended December 31, 2022. The donated space was recognized in the financial statements as in-kind donated space and is presented at the estimated fair market values as of December 31, 2022.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days, which are neither held for nor restricted by donors for -long-term purposes. As of December 31, 2022, cash accounts maintained by the Foundation were insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022, balances held in financial institutions of $2,968,649 were not fully insured. Deposit concentration risk is managed by placing cash with financial institutions believed by the Foundation to be credit worthy. Management believes credit risk is limited.

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements 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 net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Foundation maintains investments with Securities Investor Protection Corporation (SIPC) brokerage firms which are insured up to $500,000.

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.

Property and Equipment

The Foundation maintains an initial unit cost capitalization threshold of $500. Property and equipment 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.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2022.

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.

Community Partnership

Community Partnership revenue was $468,431 as of December 31, 2022. These revenues were used to support the general operations of the Foundation.

Federal Grant Revenue

The Foundation's Federal grant is conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Foundation's expenses associated with the current year Federal grant are primarily classified as "Program expenses and supplies" and "Grant in aid" on the Foundation's statement of functional expenses and are included in the total balance of $500,284 and $235,544, respectively. The total qualifying expenditures associated with the Federal grant for the year ended December 31, 2022, were $630,672.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of and revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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.

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 presents 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.

Advertising Costs

Costs associated with advertising are expensed as incurred. Total advertising costs were $6,261 for the fiscal year ended December 31, 2022.

Administrative Fee

Endowments received by the Foundation are subject to a 1.5% endowment administrative fee. The fee is assessed annually at 1.5% of the balances of the endowments before distribution. Trusts and planned gifts are also assessed an annual 1.5% administration fee. Revenues received from administrative fees are used by the Foundation to cultivate and solicit new gifts, as well as pay for administrative overhead related to processing gifts and endowments.

Change in Accounting Principle

As of January 1, 2022, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

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	$ 152,070
Due from Los Angeles City College	67,150
Unconditional promises to give, current	5,000
Investments	2,109,447
	$ 2,333,667

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, 2022:

Community Partnership commission	$ 81,050
Federal grant receivable	90,709
Other	29,961
	$ 201,720

During the year ended December 31, 2022, the Foundation wrote off $15,988 related to student accounts receivables that management determined to be uncollectable.

Note 4 - Unconditional Promises to Give

Unconditional promises to give consist of the following as of December 31, 2022:

Unconditional promises to give	$ 204,627
Less unamortized discount	(1,112)
Net unconditional promises to give	$ 203,515
Amounts Due in	
Less than one year	$ 105,000
One to five years	98,515
Total unconditional promises to give	$ 203,515

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 0.94%.

Note 5 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at December 31, 2022:

	Adjusted Cost	Fair Market Value	Unrealized Loss
Equities	$ 43,099,840	$ 29,233,895	$ (13,865,945)
Other Fixed Income	8,586,935	8,226,269	(360,666)
Beneficial Interest in assets held by the Foundation for California Community Colleges	190,300	190,300	-
	$ 51,877,075	$ 37,650,464	$ (14,226,611)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 13,002	$ 655,237	$ 668,239
Realized gain on sale of investments	103,095	4,496,681	4,599,776
Unrealized loss on investments	(401,231)	(13,825,380)	(14,226,611)
Total investment income (loss)	(285,134)	(8,673,462)	(8,958,596)
Investment fees	(5,085)	(202,312)	(207,397)
Total investment income (loss), net of expenses	$ (290,219)	$ (8,875,774)	$ (9,165,993)

Note 6 - Fair Value Measurements and Disclosures

Certain assets 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 1 - 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 2 – 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 3 - 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 (FCCC) is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2022. The Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2022.

	Level 1	Level 3	Total
Assets			
Equities	$ 29,233,895	$ -	$ 29,233,895
Other Fixed Income	8,226,269	-	8,226,269
Beneficial Interest in assets held by the Foundation for California Community Colleges	-	190,300	190,300
Total	$ 37,460,164	$ 190,300	$ 37,650,464

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% 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, 2022, the ending balance of the Osher Endowment Scholarship was $190,300. 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 - Property and Equipment

The following is a summary of capital assets as of December 31, 2022:

Equipment	$ 103,156
Accumulated depreciation	(91,905)
Net property and equipment	$ 11,251

Depreciation expense for the year ended December 31, 2022, was $4,906.

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, which includes office space for the year ended December 31, 2022, was $72,092.

As of December 31, 2022, the Foundation was owed $67,150 from the College primarily for Gala 2022 sponsorship/advertising and parking revenue.

Note 10 - Endowment Funds

The Foundation's endowment (the Endowment) consists of approximately 192 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, 2022, 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, 2022, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 108,682	$ -	$ 108,682
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	23,313,471	23,313,471
Accumulated investment gains	-	13,293,350	13,293,350
	$ 108,682	$ 36,606,821	$ 36,715,503

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 five 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. In July 2022, the Board update the Foundation’s Investment Policy Statement (IPS).

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 2022, the spending rate maximum was 4.0%. 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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with US GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of December 31, 2022, respectively.

Changes in Endowment net assets for the year ended December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 135,918	$ 46,327,377	$ 46,463,295
Contributions	-	295,786	295,786
Change in value of investments	(24,745)	(8,673,462)	(8,698,207)
Amounts appropriated for expenditures	(2,491)	(1,342,880)	(1,345,371)
Endowment net assets, end of year	$ 108,682	$ 36,606,821	$ 36,715,503

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022:

Scholarships	$ 564,099
Grants	610,722
Departmental funds	1,014,464
Endowments - accumulated and unspent earnings	13,293,350
	$ 15,482,635

Net assets with donor restrictions that are perpetual in nature, earnings from which are subject to endowment spending appropriation as of December 31, 2022:

Osher endowment	$ 190,300
Endowments related to scholarships	23,313,471
	$ 23,503,771

Net assets released from donor restriction by incurring expenses satisfying the restricted purpose or by other events specified by the donors as follows for the year ended December 31, 2022:

Support of college departments	$ 812,170
Qualifying grant expenses	983,748
Scholarships and other student awards	337,981
	$ 2,133,899

Note 12 - Title III STEM Pathways Endowment

The College provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended December 31, 2016. The grant was a Title III, Hispanic Serving Institution STEM Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received $1,000,000 over a five-year period ending December 31, 2020, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50% of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

Note 13 - 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. The Foundation will match up to 3% of the employee's salary as part of the Plan. Participants are immediately 100% vested in all contributions to the Plan. The Foundation made contributions of $9,954 during the year ended December 31, 2022.

Note 14 - Paycheck Protection Program (PPP) Loans

The Foundation was granted a loan in the amount of $160,695 under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved lender. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded the loan as a refundable advance and has subsequently recognized contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. For the year ended December 31, 2022, the Foundation recognized full forgiveness of the loan in the amount of $160,695.

Note 15 - Subsequent Events

The Foundation's management has evaluated events or transactions from December 31, 2022, through May 3, 2023, 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.

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 3, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 Los Angeles City College Foundation in a separate letter dated May 3, 2023.

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 3, 2023