

IRVINE VALLEY COLLEGE FOUNDATION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2019
With Comparative Totals for the Fiscal Year Ended June 30, 2018
And
Independent Auditors' Report



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IRVINE VALLEY COLLEGE FOUNDATION

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June 30, 2019

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Irvine Valley College Foundation
5500 Irvine Center Drive
Irvine, CA 92618

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Irvine Valley College Foundation (the Foundation), a component unit of the South Orange County Community College District, which comprise the statements of financial position as of June 30, 2019, and the related statements 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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.

Opinion

In our opinion, the financial statements referred to on page one present fairly, in all material respects, the respective financial position of the Irvine Valley College Foundation as of June 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

Change in Accounting Principles

As discussed in Note 1 to the financial statement, Irvine Valley College Foundation adopted the accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for Profit Entities*. Our auditor's opinion was not modified with respect to that matter.

Correction of Error

As discussed in Note 9 to the financial statements, certain errors resulting in an overstatement of amounts reported in the statement of financial position as of June 30, 2018 and the statement of activities for the fiscal year then ended, were discovered. Accordingly, beginning net assets have been restated in the June 30, 2018 financial statements now presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived except for the correction of an error matter noted above.



CliftonLarsonAllen LLP
Glendora, California
November 5, 2019

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With Comparative Totals at June 30, 2018

	2019	2018 (as restated)
	<hr/>	<hr/>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 364,284	\$ 179,696
Accounts receivable	3,360	53,093
Investments, at fair value	2,654,290	2,677,203
Prepays	2,825	3,245
Total Current Assets	<hr/> 3,024,759	<hr/> 2,913,237
Non-Current Assets:		
Investments with FCCC	428,244	425,395
Total Assets	<hr/> \$ 3,453,003	<hr/> \$ 3,338,632
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 25,624	\$ 212,846
Accrued liabilities	-	33,233
Deferred revenue	-	116
Pass-through scholarships payable	34,063	24,157
Total Current Liabilities	<hr/> 59,687	<hr/> 270,352
Net Assets:		
Without donor restrictions	525,105	357,825
With donor restrictions	2,868,211	2,710,455
Total Net Assets	<hr/> 3,393,316	<hr/> 3,068,280
Total Liabilities and Net Assets	<hr/> \$ 3,453,003	<hr/> \$ 3,338,632

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

	June 30, 2019			June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	(as restated) Total
Support and Revenue				
Support				
Contributions	\$ 108,442	\$ 639,281	\$ 747,723	\$ 1,091,507
Special events income - fundraisers	109,034	-	109,034	78,036
Campus programs	16,689	19,687	36,376	58,977
In-kind donations	37,552	-	37,552	20,630
Donated services	727,762	-	727,762	606,558
Donated professional fees	22,014	-	22,014	6,000
Total Support	<u>1,021,493</u>	<u>658,968</u>	<u>1,680,461</u>	<u>1,861,708</u>
Other income, gains and losses				
Investment income	23,705	29,388	53,093	50,392
Realized gain (loss) on investments	10,394	23,280	33,674	171,498
Unrealized gain (loss) on investments	23,649	19,874	43,523	(109,638)
Change in value of FCCC investments	-	2,849	2,849	6,322
Other income	-	124	124	765
Total Other Income, Gains, and Losses	<u>57,748</u>	<u>75,515</u>	<u>133,263</u>	<u>119,339</u>
Total revenues before net				
assets released from restrictions	1,079,241	734,483	1,813,724	1,981,047
Net assets released from restrictions	<u>576,727</u>	<u>(576,727)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,655,968</u>	<u>157,756</u>	<u>1,813,724</u>	<u>1,981,047</u>
Operating Expenses				
Program services	1,111,126	-	1,111,126	1,325,746
Supporting services				
Management and general	181,132	-	181,132	136,026
Fundraising	196,430	-	196,430	159,484
Total Operating Expenses	<u>1,488,688</u>	<u>-</u>	<u>1,488,688</u>	<u>1,621,256</u>
Change in net assets	<u>167,280</u>	<u>157,756</u>	<u>325,036</u>	<u>359,791</u>
Net Assets				
Beginning of year, as restated (see Note 9)	<u>357,825</u>	<u>2,710,455</u>	<u>3,068,280</u>	<u>2,708,489</u>
End of year	<u>\$ 525,105</u>	<u>\$ 2,868,211</u>	<u>\$ 3,393,316</u>	<u>\$ 3,068,280</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

**STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2019**

With Comparative Totals for the Fiscal Year Ended June 30, 2018

	2019	2018 (as restated)
Cash flows from operating activities		
Contributions and special events	\$ 944,042	\$ 1,144,934
Campus programs	36,260	59,093
Investment income	53,093	50,392
Other income	124	765
Payments to/on behalf of District employees	(25,392)	(23,777)
Payments to suppliers	(516,496)	(489,851)
Payments to/on behalf of students	(407,153)	(316,839)
Net cash provided by operating activities	<u>84,478</u>	<u>424,717</u>
Cash flows from investing activities		
Purchase of investments	(243,305)	(3,827,511)
Proceeds from sale of investments	343,415	3,293,439
Net cash provided (used) by investing activities	<u>100,110</u>	<u>(534,072)</u>
Net increase (decrease) in cash and cash equivalents	184,588	(109,355)
Cash and cash equivalents, beginning of year	<u>179,696</u>	<u>289,051</u>
Cash and cash equivalents, end of year	<u>\$ 364,284</u>	<u>\$ 179,696</u>
Reconciliation of change in net assets to cash provided by operating activities		
Change in net assets	\$ 325,036	\$ 359,791
Adjustment to reconcile change in net assets to cash provided by operating activities		
Realized and unrealized gain on investments	(80,046)	(68,182)
Change in assets - (increase)/decrease:		
Accounts receivable	49,733	(45,239)
Prepays	420	4,621
Change in liabilities - increase/(decrease):		
Accounts payable	(187,222)	132,743
Accrued liabilities	(33,233)	33,233
Deferred revenue	(116)	116
Passthrough scholarships payable	9,906	7,634
Net cash provided by operating activities	<u>\$ 84,478</u>	<u>\$ 424,717</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSE

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</u>
	Program Services				
	- Student and Campus Support	Management & General	Fundraising	Total	Total
Salaries and benefits	\$ 54,664	\$ -	\$ 3,961	\$ 58,625	\$ 57,010
Scholarships and grants	348,933	-	-	348,933	324,473
Donated services	465,133	131,863	130,766	727,762	606,558
Donated professional fees	-	22,014	-	22,014	6,000
Supplies and printing	17,196	2,676	612	20,484	3,642
Conferences and meetings	24,833	-	-	24,833	219,296
Dues and memberships	2,270	2,381	-	4,651	6,230
Equipment	58,701	-	-	58,701	17,270
Contract services	31,477	3,343	-	34,820	33,405
Special events	-	-	52,799	52,799	42,577
Program expenses	81,531	5,292	5,343	92,166	264,924
Other expenses	26,388	13,563	2,949	42,900	39,871
Total	<u>\$ 1,111,126</u>	<u>\$ 181,132</u>	<u>\$ 196,430</u>	<u>\$ 1,488,688</u>	<u>\$ 1,621,256</u>

See the accompanying notes to the financial statements.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 1: ORGANIZATION

Organization and Nature of Activities

Irvine Valley College Foundation (the Foundation) is a California, nonprofit public benefit corporation founded on November 24, 2003, for the purpose of receiving contributions to further the educational purposes of Irvine Valley College (IVC) which is part of the South Orange County Community College District (the District). The principal sources of revenue for the Foundation include donor contributions and investment related income.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed 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 restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for board-designated ProIVC match.

Net Assets With Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 1: ORGANIZATION

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. The Foundation occasionally maintains cash balances in excess of the insured amounts, and has not incurred losses. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with an initial maturity 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.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. 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.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations and fundraising. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 1: ORGANIZATION

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expense. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services and management, and fundraising activities.

Use of Estimates

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

Income Taxes

The Foundation is a non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a supporting organization as provided in Section 509(a)(3). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements.

United States Generally Accepted Accounting Principles (US GAAP) requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization. The statute of limitations for federal and California purposes is generally three and four years, respectively.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 1: ORGANIZATION

Comparative Totals

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2018.

Reclassifications

Certain reclassifications to the summarized comparative information have been made to conform to the current year presentation. The reclassifications have no effect on the previously reported net assets or change in net assets.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Irvine Valley College Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

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:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and Cash Equivalents	\$ 364,284	\$ 179,696
Accounts Receivable	3,360	53,093
Operating Investments	2,654,290	2,677,203
Total financial assets	3,021,934	2,909,992
Less:		
Board designated assets	(17,525)	(9,573)
Donor-restricted assets (excludes Osher)	(2,439,967)	(2,285,060)
Total financial assets available for general expenditures	<u>\$ 564,442</u>	<u>\$ 615,359</u>

Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes,

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 2: LIQUIDITY AND AVAILABILITY

with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures and have been excluded from the above analysis.

The board-designated endowment of \$17,525 is subject to an annual spending rate of 3 percent as described in Note 7. Although the Foundation does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	June 30, 2019	June 30, 2018
Subject to expenditure for specific purpose:		
Campus Programs	\$ 625,288	\$ 569,960
Scholarships	75,522	74,086
Not subject to spending policy or appropriations:		
Investments held with FCCC in perpetuity (including amounts above original transfer amount of \$370,359):		
Osher scholarships	428,244	425,395
Subject to spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amount of \$1,134,023 and \$1,065,245), the income from which is expendable to support:		
Scholarships	1,739,157	1,641,014
Net assets with donor restrictions	\$ 2,868,211	\$ 2,710,455

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Satisfaction of Purpose Restrictions		
Campus programs	\$ 240,894	\$ 681,995
Scholarships	335,833	404,635
Total net assets released from donor restrictions	\$ 576,727	\$ 1,086,630

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 4: DONATED SERVICES

Throughout the year, many individuals throughout the District donate significant amounts of time to advance the programs and objectives of the Foundation. Donated services and professional fees are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value. Donated services and professional fees include the value of Foundation services paid for salaries and benefits and professional fees paid by the District.

NOTE 5: INVESTMENTS

Investments are recorded at cost at date of acquisition or fair value at date of donation. The cost and fair value of investments as of June 30, 2019 are as follows:

Investments	Cost	Fair Value	Level 1	Level 2	Level 3
Money market	\$ 34,946	\$ 34,946	\$ 34,946	\$ -	\$ -
Equity and fixed income funds	-	419,297	419,297	-	-
Mutual funds	2,575,174	2,628,291	2,204,300	423,991	-
	<u>\$ 2,610,120</u>	<u>\$ 3,082,534</u>	<u>\$ 2,658,543</u>	<u>\$ 423,991</u>	<u>\$ -</u>

The cost and fair value of investments as of June 30, 2018 are as follows:

Investments	Cost	Fair Value	Level 1	Level 2	Level 3
Money Market	\$ 27,490	\$ 27,490	\$ 27,490	\$ -	\$ -
Equity and fixed income funds	-	425,395	425,395	-	-
Mutual funds	2,662,511	2,649,713	2,238,497	411,216	-
	<u>\$ 2,690,001</u>	<u>\$ 3,102,598</u>	<u>\$ 2,691,382</u>	<u>\$ 411,216</u>	<u>\$ -</u>

Levels 1 through 3 have been assigned to the fair value measurements of investments. The fair value level of measurement is determined as follows:

Level 1 – quoted prices in an active market for identical assets.

Level 2 – quoted prices for similar assets and market-corroborated inputs.

Level 3 – the organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances. The Foundation has no Level 3 investments.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 5: INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Interest and dividends, net	\$ 53,093	\$ 50,392
Realized gain on investments, net	33,674	171,498
Unrealized gain (loss) on investments, net	43,523	(109,638)
Total Investment Income	\$ 130,290	\$ 112,252

NOTE 6: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

In 2010, the Foundation entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

Since the agreement's inception, the Foundation has transferred a total of \$370,759 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2019, the fair value of this investment was \$428,244, which consisted of cash of \$8,947, equity securities of \$289,440 and fixed income instruments of \$129,857 measured at quoted prices in active markets for identical assets (Level 1). Net investment income of \$23,382 was recognized during the year ended June 30, 2019.

Changes in FCCC net assets are as follows:

	June 30, 2019	June 30, 2018
Investments with FCCC, beginning of year	\$ 425,395	\$ 419,073
Investment return:		
Investment income, net of expenses	9,220	6,876
Net appreciation (realized and unrealized)	14,162	19,246
Total investment return	23,382	26,122
Other changes:		
Distributions	(20,533)	(19,800)
Total other changes	(20,533)	(19,800)
Change in value, FCCC investment	2,849	6,322
Investments with FCCC, end of year	\$ 428,244	\$ 425,395

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 6: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

The CCCSE was established to provide matching scholarships funds for California community colleges. The CCCSE was formed through a \$50 million matching commitment from the Osher Foundation and a lead contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship is valued at \$1,100 for a school year. The Foundation received distribution and matching funds from the Osher Foundation totaling \$42,900 to meet the required 5 percent minimum payout for scholarships.

NOTE 7: ENDOWMENTS

The Foundation's endowment consists of approximately 39 individual funds established for a variety of purposes. Its endowment includes donor-restricted and Board designated endowment funds. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Governors 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) 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 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 funds
- (2) The purposes of the Foundation and 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
- (7) The investment policies of the Foundation

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 7: ENDOWMENTS

Endowment net asset composition by type of fund, as of June 30, 2019 and summarized information as of June 30, 2018 are as follows:

	June 30, 2019			June 30, 2018
	Without Donor	With Donor	Total	Total
	Restrictions	Restrictions		
Donor-restricted endowment funds	\$ -	\$ 1,739,157	\$ 1,739,157	\$ 1,641,014
Board-designated endowment funds	17,525	-	17,525	9,573
	<u>\$ 17,525</u>	<u>\$ 1,739,157</u>	<u>\$ 1,756,682</u>	<u>\$ 1,650,587</u>

Changes in endowment net assets for the fiscal year June 30, 2019 and summarized information as of June 30, 2018 are as follows:

	June 30, 2019			June 30, 2018
	Without Donor	With Donor	Total	Total
	Restrictions	Restrictions		
Endowment net assets, beginning of year	\$ 9,573	\$ 1,641,014	\$ 1,650,587	\$ 1,466,518
Contributions and transfers	7,952	144,606	152,558	183,827
Investment return:				
Investment income, net of expenses	-	20,459	20,459	23,073
Net appreciation (realized and unrealized)	-	46,005	46,005	35,915
Total investment return	-	66,464	66,464	58,988
Other changes:				
Distributions	-	(112,927)	(112,927)	(58,746)
Total other changes	-	(112,927)	(112,927)	(58,746)
Endowment net assets, end of year	<u>\$ 17,525</u>	<u>\$ 1,739,157</u>	<u>\$ 1,756,682</u>	<u>\$ 1,650,587</u>

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 GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2019.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 7: ENDOWMENTS

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Since the purpose of endowments is to provide scholarships and other benefits in perpetuity, endowment funds are invested with a long term perspective. The policy is to protect the principal, over the long term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on quality-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Foundation has a policy of appropriating for distribution each year 3 percent of the endowment fund's average fair value over the prior 12 quarters for the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2 percent annually.

Spending is reviewed annually and allocations are determined to allow continued growth. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 8: FUNCTIONAL EXPENSE

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 salaries and wages,

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

benefits, payroll taxes, contract services, program expenses and supplies and printing which are allocated on the basis of estimates of time and effort.

NOTE 9: ADJUSTMENT FOR RESTATEMENT

The beginning balance of net assets without donor restrictions was decreased and net assets with donor restrictions was increased by \$31,727. Management identified certain gift accounts that were donor-restricted that were not classified appropriately within the general ledger system.

Additionally, net assets with donor restrictions was decreased by \$24,157 to remove the net effect of agency transactions that were inappropriately reported on the statement of activities.

The following financial statement line items for fiscal year were affected by the changes:

Statement of Financial Position - June 30, 2018

	As Originally Reported	As Restated	Effect of Change
<u>Assets</u>			
Total Assets	\$ 3,338,632	\$ 3,338,632	\$ -
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 246,079	\$ 246,079	\$ -
Deferred revenue	116	116	-
Pass-through scholarships payable	-	24,157	24,157 (1)
Total Liabilities	<u>246,195</u>	<u>270,352</u>	<u>24,157</u>
Net Assets:			
Without donor restrictions	389,552	357,825	(31,727) (2)
With donor restrictions	<u>2,702,885</u>	<u>2,710,455</u>	<u>7,570 (3)</u>
Total Net Assets	<u>3,092,437</u>	<u>3,068,280</u>	<u>(24,157)</u>
Total Liabilities and Net Assets	<u>\$ 3,338,632</u>	<u>\$ 3,338,632</u>	<u>\$ -</u>

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 9: ADJUSTMENT FOR RESTATEMENT

Statement of Activities - June 30, 2018

	As Originally Reported	As Restated	Effect of Change
Support and Revenue			
Support			
Contributions	\$ 1,237,094	\$ 1,091,507	\$ (145,587) (4)
Other revenue and support	770,201	770,201	-
Total Support	<u>2,007,295</u>	<u>1,861,708</u>	<u>(145,587)</u>
Other income, gains and losses			
Investment income	61,872	50,392	(11,480) (5)
Other income, gains and losses	68,947	68,947	-
Total Other Income, Gains, and Losses	<u>130,819</u>	<u>119,339</u>	<u>(11,480)</u>
Total Support and Revenue	<u>2,138,114</u>	<u>1,981,047</u>	<u>(157,067)</u>
Total Expenses			
Program services	1,447,176	1,325,746	(121,430) (4)
Supporting services	306,990	295,510	(11,480) (5)
Total Expenses	<u>1,754,166</u>	<u>1,621,256</u>	<u>(132,910)</u>
Change in net assets	<u>383,948</u>	<u>359,791</u>	<u>(24,157)</u>
Net Assets			
Beginning of year	2,708,489	2,708,489	-
End of year	<u>\$ 3,092,437</u>	<u>\$ 3,068,280</u>	<u>\$ (24,157)</u>

- (1) Correction to report liability for pass-through scholarships agency funds held by Foundation at June 30, 2018.
- (2) Correction to reclassify net assets with donor restrictions previously recorded as donations without donor restrictions.
- (3) Net effect of above noted adjustments.
- (4) Correction to remove pass-through scholarship agency activity
- (5) Reclassification made to net investment expenses with investment earnings

NOTE 10: RELATED PARTIES

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of Foundation directors and staff.

IRVINE VALLEY COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

With Comparative Totals for the Fiscal Year Ended June 30, 2018

NOTE 10: RELATED PARTIES

Additionally, the District pays professional fees for services rendered on behalf of the Foundation. The donated services and professional fees for the fiscal year ended June 30, 2019 were valued at \$727,762 and \$22,014, respectively. The donated services and professional fees for the fiscal year ended June 30, 2018 were valued at \$606,558 and \$6,000, respectively. These amounts have been reflected in the financial statements as donated services and professional fees revenues and expenses.

NOTE 11: CONTINGENCIES

The Foundation may become a party to litigation in the normal course of business. The Foundation accrues for open claims based on the Foundation's historical experience and available insurance coverage. In the opinion of management, there are no legal matters involving the Foundation that would have a material adverse impact upon the Foundation's financial position, activities or cash flow.

NOTE 12: SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 5, 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 would have a material impact on the current year financial statements.

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