

VENTURA COLLEGE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2018

VENTURA COLLEGE FOUNDATION

JUNE 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

111 E. Victoria Street, 2nd Floor, Santa Barbara, CA 93101, (805) 962-9175, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ventura College Foundation
Ventura, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Ventura College Foundation (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ventura College Foundation as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Ventura College Foundation June 30, 2017, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script, reading "McGowan Guntermann". The signature is written in dark ink on a light-colored background.

Santa Barbara, California

October 16, 2018

VENTURA COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals for June 30, 2017)

ASSETS					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	(Memo) Total 2017
CURRENT ASSETS					
Cash and equivalents	\$ 302,053	\$ 168,837	\$ -	\$ 470,890	\$ 778,128
Accounts receivable	-	-	-	-	4,884
Pledges and bequests receivable	-	13,175,606	10,000	13,185,606	295,000
Prepaid expenses and deposits	30,667	-	-	30,667	28,818
Total Current Assets	<u>332,720</u>	<u>13,344,443</u>	<u>10,000</u>	<u>13,687,163</u>	<u>1,106,830</u>
INVESTMENTS	<u>798,502</u>	<u>1,358,346</u>	<u>6,456,602</u>	<u>8,613,450</u>	<u>7,867,251</u>
PROPERTY AND EQUIPMENT					
Office equipment	129,143	-	-	129,143	129,143
Leasehold improvements	96,631	-	-	96,631	96,631
	<u>225,774</u>	<u>-</u>	<u>-</u>	<u>225,774</u>	<u>225,774</u>
Less: accumulated depreciation	(201,115)	-	-	(201,115)	(188,824)
Net Property and Equipment	<u>24,659</u>	<u>-</u>	<u>-</u>	<u>24,659</u>	<u>36,950</u>
OTHER ASSETS					
Pledges receivable, net current portion	-	710,256	-	710,256	842,121
Due from unrestricted fund	-	-	55,409	55,409	47,242
Beneficial interests in remainder trusts	-	190,130	-	190,130	179,559
FCCC Scholarship Endowment	573,027	-	848,822	1,421,849	1,397,933
Total Other Assets	<u>573,027</u>	<u>900,386</u>	<u>904,231</u>	<u>2,377,644</u>	<u>2,466,855</u>
TOTAL ASSETS	<u>\$ 1,728,908</u>	<u>\$ 15,603,175</u>	<u>\$ 7,370,833</u>	<u>\$ 24,702,916</u>	<u>\$ 11,477,886</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 97,260	\$ -	\$ -	\$ 97,260	\$ 86,927
Promise grant payable	171,151	-	-	171,151	178,108
Scholarships payable	714,654	-	-	714,654	726,533
Total Current Liabilities	<u>983,065</u>	<u>-</u>	<u>-</u>	<u>983,065</u>	<u>991,568</u>
OTHER LIABILITIES					
Unfunded pension obligation	183,010	-	-	183,010	194,396
Due to permanently restricted fund	55,409	-	-	55,409	47,242
Total Other Liabilities	<u>238,419</u>	<u>-</u>	<u>-</u>	<u>238,419</u>	<u>241,638</u>
TOTAL LIABILITIES	<u>1,221,484</u>	<u>-</u>	<u>-</u>	<u>1,221,484</u>	<u>1,233,206</u>
NET ASSETS					
Unrestricted					
Operations	(65,603)			(65,603)	(265,816)
Board designated FCCC Scholarship Endowment	573,027	-	-	573,027	549,111
Total unrestricted	507,424	-	-	507,424	283,295
Temporarily restricted	-	15,603,175	-	15,603,175	2,582,956
Permanently restricted	-	-	7,370,833	7,370,833	7,378,429
Total Net Assets	<u>507,424</u>	<u>15,603,175</u>	<u>7,370,833</u>	<u>23,481,432</u>	<u>10,244,680</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,728,908</u>	<u>\$ 15,603,175</u>	<u>\$ 7,370,833</u>	<u>\$ 24,702,916</u>	<u>\$ 11,477,886</u>

The accompanying notes are an integral part of these financial statements.

VENTURA COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	(Memo) Total 2017
REVENUE, GAINS, AND OTHER SUPPORT					
Contributions, grants, and bequests	\$ 184,297	\$ 13,335,526	\$ 85,176	\$ 13,604,999	\$ 1,112,758
Contributions, grants, and bequests (in-kind)	91,000	45,723	-	136,723	133,990
Marketplace income	1,625,526	-	-	1,625,526	1,497,558
Interest and dividends	-	229,082	-	229,082	243,472
Net realized and unrealized gain on investments	200,263	115,500	-	315,763	410,540
Change in value of FCCC endowment	156,992	-	(92,772)	64,220	99,310
Change in value of beneficial interest in remainder trusts	-	10,571	-	10,571	17,664
Net assets released from restrictions	<u>716,183</u>	<u>(716,183)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>2,974,261</u>	<u>13,020,219</u>	<u>(7,596)</u>	<u>15,986,884</u>	<u>3,515,292</u>
EXPENSES					
Program Services					
Scholarships	682,912	-	-	682,912	692,048
Promise grants	348,020	-	-	348,020	393,062
Other program services	<u>590,152</u>	<u>-</u>	<u>-</u>	<u>590,152</u>	<u>574,374</u>
Total Program Services	1,621,084	-	-	1,621,084	1,659,484
Management and General					
Marketplace	482,575	-	-	482,575	489,027
Other management and general	<u>159,389</u>	<u>-</u>	<u>-</u>	<u>159,389</u>	<u>185,393</u>
Total Management and General	641,964	-	-	641,964	674,420
Development and Fundraising					
	<u>487,084</u>	<u>-</u>	<u>-</u>	<u>487,084</u>	<u>632,263</u>
Total Expenses	<u>2,750,132</u>	<u>-</u>	<u>-</u>	<u>2,750,132</u>	<u>2,966,167</u>
CHANGE IN NET ASSETS	224,129	13,020,219	(7,596)	13,236,752	549,125
NET ASSETS, BEGINNING OF YEAR	<u>283,295</u>	<u>2,582,956</u>	<u>7,378,429</u>	<u>10,244,680</u>	<u>9,695,555</u>
NET ASSETS, END OF YEAR	<u>\$ 507,424</u>	<u>\$ 15,603,175</u>	<u>\$ 7,370,833</u>	<u>\$ 23,481,432</u>	<u>\$ 10,244,680</u>

The accompanying notes are an integral part of these financial statements.

VENTURA COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

(With Comparative Totals for the Year Ended June 30, 2017)

	Program Services				Management and General			Development	Total	(Memo) Total
	Scholarships	Promise	Other	Subtotal	Marketplace	Other	Subtotal	Fundraising	2018	2017
Direct Program Expenses	\$ 608,290	\$ 288,950	\$ 531,082	\$ 1,428,322	\$ -	\$ -	\$ -	\$ -	\$ 1,428,322	\$ 1,419,422
Payroll Related Expenses										
Salaries and wages	25,670	25,670	25,670	77,010	196,878	33,004	229,882	220,682	527,574	684,045
Benefits	9,399	9,399	9,399	28,197	40,164	12,084	52,248	76,623	157,068	279,133
Payroll taxes	2,094	2,094	2,094	6,282	15,254	2,692	17,946	17,613	41,841	50,209
Total Payroll Related Expenses	37,163	37,163	37,163	111,489	252,296	47,780	300,076	314,918	726,483	1,013,387
Operating Expenses										
Bank fees	-	-	-	-	6,460	256	6,716	2,055	8,771	8,644
Computer and software	151	151	151	453	3,480	454	3,934	16,426	20,813	14,742
Depreciation	1,451	1,451	1,451	4,353	5,037	1,451	6,488	1,451	12,292	14,432
Dues and subscriptions	83	83	83	249	-	248	248	2,840	3,337	12,508
Insurance	1,806	1,806	1,806	5,418	9,631	5,418	15,049	6,444	26,911	22,093
Investment fees	-	-	-	-	-	47,276	47,276	-	47,276	44,668
Meetings, conferences, and travel	79	79	79	237	-	238	238	2,260	2,735	31,385
Miscellaneous	15,552	-	-	15,552	-	-	-	16,638	32,190	24,064
Outside services	2,359	2,359	2,359	7,077	69,893	3,032	72,925	23,481	103,483	85,104
Postage and shipping	-	-	-	-	-	8	8	-	8	6,219
Printing and promotion	165	165	165	495	7,895	497	8,392	53,566	62,453	73,498
Professional services	7,471	7,471	7,471	22,413	-	42,105	42,105	37,758	102,276	29,925
Rent and maintenance	7,200	7,200	7,200	21,600	110,761	7,200	117,961	7,200	146,761	136,456
Supplies and materials	1,142	1,142	1,142	3,426	17,122	3,426	20,548	2,047	26,021	25,870
Unemployment claims	-	-	-	-	-	-	-	-	-	3,750
Total Operating Expenses	37,459	21,907	21,907	81,273	230,279	111,609	341,888	172,166	595,327	533,358
Total Expenses 2018	\$ 682,912	\$ 348,020	\$ 590,152	\$ 1,621,084	\$ 482,575	\$ 159,389	\$ 641,964	\$ 487,084	\$ 2,750,132	
Total Expenses 2017 (Memo)	\$ 692,048	\$ 393,062	\$ 574,374	\$ 1,659,484	\$ 489,027	\$ 185,393	\$ 674,420	\$ 632,263		\$ 2,966,167

The accompanying notes are an integral part of these financial statements.

VENTURA COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

(With Comparative Amounts for the Year Ended June 30, 2017)

	2018	(Memo) 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 13,236,752	\$ 549,125
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	12,291	14,432
Contributions restricted for long-term investment	(85,176)	(89,090)
Net realized and unrealized gains on long-term investments	(315,763)	(410,540)
Increase in value of FCCC endowment	(64,220)	(99,310)
Increase in pledges, bequest and accounts receivable	(12,753,857)	(209,875)
Increase in prepaid expenses and deposits	(1,849)	(2,997)
Increase in value of beneficial interest in remainder trusts	(10,571)	(17,664)
Increase (decrease) in accounts payable and accrued expenses	10,333	(72,103)
Increase (decrease) in scholarships and promise payable	(18,836)	136,185
Increase (decrease) in unfunded pension obligation	(11,386)	59,883
NET CASH USED BY OPERATING ACTIVITIES	(2,282)	(141,954)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	4,910,822	2,325,088
Purchase of marketable securities	(5,300,954)	(2,307,055)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(390,132)	18,033
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	85,176	89,090
NET CASH PROVIDED BY FINANCING ACTIVITIES	85,176	89,090
 NET DECREASE IN CASH	(307,238)	(34,831)
 CASH, BEGINNING OF YEAR	778,128	812,959
 CASH, END OF YEAR	\$ 470,890	\$ 778,128

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash transactions consisted of the following:

In-kind contribution of goods for program and administrative expenses	\$ 45,723	\$ 42,990
In-kind contribution of rents for marketplace and administrative offices	\$ 91,000	\$ 91,000

The accompanying notes are an integral part of these financial statements.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Ventura College Foundation, (the “Foundation”) a charitable corporation, was incorporated in 1983. The Foundation is under the control of a Board of Directors comprised of eleven to thirty members and is administered by an Executive Director. The Foundation was formed to promote the general welfare of Ventura College. The Foundation is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a nonprofit organization, not a private foundation, as defined in Section 509(a)(3) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements of the Foundation are prepared using the accrual basis of accounting.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities in three classes of net assets - unrestricted, temporarily restricted, and permanently restricted - based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets consist of funds free of any donor-imposed restrictions and are divided into two components. First, the unrestricted fund accounts for resources over which the governing board has discretionary control for use in carrying on the general operations of the Foundation. Contributions and grants for general unrestricted purposes are all accounted for in the unrestricted fund. Second, the board designated fund consists of endowment assets set aside by the board for scholarships and general operations, including matching contributions for the Foundation for California Community Colleges (FCCC) Osher initiative. In accordance with accounting principles generally accepted in the United States of America, endowment fund deficiencies are reported as a reduction in unrestricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of funds subject to time or donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Foundation that fulfill donor stipulations. Temporarily restricted net assets include pledges receivable, beneficial interests in remainder trusts, earnings on endowment funds, and funds received for scholarships to be awarded in future years. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as “net assets released from restrictions”.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. Permanently restricted net assets also consist of those donor-restricted endowments held by the Foundation as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Investment income generated by permanently restricted assets is temporarily restricted by law until appropriated by the Board in support of the Foundation's programs and operations. Income related to the FCCC Osher initiative endowment is reported as unrestricted contributions when received on the Statement of Activities. The change in value of the underlying permanently restricted net assets is recorded as an unrealized gain or loss in permanently restricted net assets on the Statement of Activities.

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Foundation records investments in securities with readily determinable market values at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the year. The investments in hedge funds, partnerships and private equity, for which quoted market prices are not readily available, are determined by management in good faith with the assistance of third-party investment managers using methods they consider appropriate. Realized and unrealized gains and losses are included in the change in net assets.

Donated Property and Investments

Donated property and investments are recorded as contributions at their fair market value at date of receipt.

Property and Equipment

Property and equipment is stated at cost, or fair market value if donated. In general, the Foundation capitalizes assets with a cost of \$2,000 or more and an expected useful life of greater than one year. Depreciation is calculated using the straight-line method over their estimated useful lives as follows:

Marketplace improvements	7 – 15 years
Office and equipment	3 – 10 years
Furniture	5 – 10 years

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonable estimable. As of June 30, 2018, the Foundation had no uncertain tax positions requiring accrual. The Foundation files tax returns in California and U.S. federal jurisdictions. The Foundation is no longer subject to U.S. federal and state tax examinations by tax authorities for years ended before June 30, 2014 and 2013, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. It is at least reasonably possible that the significant estimates could change in the coming year and accordingly, actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include:

- Allocation of certain expenses by function.
- Variables and discount factors used in determining residual interest in charitable remainder trusts.
- Fair market value of certain investments.
- Allowance for contributions receivable.
- Depreciable lives of property and equipment.

Donated Services

Donated goods and services received by the Foundation are recorded at fair market value at the time of the donation. During the fiscal year ended June 30, 2018, volunteers gave their time and expertise to the Foundation in a wide variety of areas including service on the Board of Directors; scholarship committees; administrative, and technical and financial advice. This contribution, despite its considerable value to the mission of the Foundation, is not reflected in the financial statements.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded at their fair value on the date of donation. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Scholarships Payable

The Foundation records scholarships at the time they are awarded. The Foundation's scholarship committee meets each year to select students who will receive scholarship awards. The scholarship awards are announced in May and booked as a liability at the end of the fiscal year and are payable in the following school year. Any scholarships not claimed by the following fiscal school year are rescinded and returned to the appropriate fund and netted against program expenses for the year.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its various program, management and general, and fundraising expenses. Expenses that can be identified with a specific area are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Advertising Expenses

Advertising costs are expensed as incurred.

Subsequent Events

The Foundation has evaluated subsequent events through October 16, 2018, the date which the financial statements were available to be issued.

Note 2 - PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Management expects no material write-offs for receivables at June 30, 2018; therefore, no current provision has been made.

Recognition of all pledges receivable for the next five years ending June 30 and after is expected to be as follows:

2019	\$ 13,185,606
2020	330,356
2021	244,900
2022	82,000
2023	<u>53,000</u>
Total	<u>\$ 13,895,862</u>

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 3 - INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At June 30, 2018, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Market Over Cost</u>
Money market	\$ 21,931	\$ 21,931	\$ -
Equities	2,271,647	2,697,506	425,859
Exchange-traded funds	1,610,146	1,671,163	61,017
Fixed income	<u>4,294,820</u>	<u>4,222,850</u>	<u>(71,970)</u>
Total Investments	<u>\$ 8,198,544</u>	<u>\$ 8,613,450</u>	<u>\$ 414,906</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balance at end of the year	\$ 8,198,544	\$ 8,613,450	\$ 414,906
Balance at the beginning of the year	<u>7,134,804</u>	<u>7,867,251</u>	<u>732,447</u>
Net change in unrealized gain			<u>\$ 317,541</u>

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

Dividends and interest	\$ 229,082
Net unrealized gains	317,541
Net realized gains	(1,778)
Investment expense	<u>(47,276)</u>
Return on investments	<u>\$ 497,569</u>

Note 4 - PLANNED GIVING

The Foundation is the residual beneficiary of two charitable remainder trusts, the assets of which are not in the possession of the Foundation. Upon termination of the trusts, the Foundation shall receive the assets remaining in the trust. The Foundation recognizes annually the change in the present value of the estimated future benefits to be received when the trust assets are distributed as increases or decreases in the value of split-interest agreements on the Statements of Activities.

Note 5 - LEASES

The Foundation entered into an annual lease agreement with Ventura College. This lease includes office space, utilities, liability and property insurance. The annual rent for this agreement is one dollar. This lease is automatically renewable on an annual basis. A donative value has been assigned to the lease based on the fair value of the rent totaling \$36,000 for the year ended June 30, 2018.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 6 - FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.
Level 2	Inputs to the valuation methodology may include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value.

Money market	Money market funds valued at the net asset value (NAV) of shares held at year end.
Equities and Fixed income	Equities and fixed income include a variety of publically traded stocks from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.
FCCC Endowment	Valued at the percentage share of assets held by FCCC based upon quoted market prices at year end.
Planned giving	Valued at estimated net present value (NPV) of beneficial interest in trust.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 6 - FAIR VALUE MEASUREMENT (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy the assets at fair values as of June 30, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 21,931	\$ -	\$ -	\$ 21,931
Large-Cap Blend	872,484	-	-	872,484
Large-Cap Value	1,825,021	-	-	1,825,021
U.S. Government Bond	45,120	-	-	45,120
Blended Bond	956,112	-	-	956,112
Fixed income	1,671,163	-	-	1,671,163
Intermediate Bond	<u>3,221,619</u>	<u>-</u>	<u>-</u>	<u>3,221,619</u>
Subtotal Investments	8,613,450	-	-	8,613,450
FCCC Endowment	-	1,421,849	-	1,421,849
Planned giving	<u>-</u>	<u>190,130</u>	<u>-</u>	<u>190,130</u>
Total assets measured at fair value	<u>\$ 8,613,450</u>	<u>\$ 1,611,979</u>	<u>\$ -</u>	<u>\$10,225,429</u>

Note 7 - CONTINGENT LIABILITY

The Foundation is self-insured for unemployment compensation to former employees. The amount of any contingent liability existing as of June 30, 2018 is not determinable. There were no unemployment compensation fees for the year ended June 30, 2018.

Note 8 - CONCENTRATIONS AND RISKS

Market Risk

The Foundation holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 8 - CONCENTRATIONS AND RISKS (CONTINUED)

Concentrations of Revenue

The Foundation operates a swap meet called the Market Place to raise funds to promote the general welfare of the College. The parking lot space used for this activity is donated by the College to the Foundation and is rented on weekends to vendors. A donative value has been assigned to the donated parking lot space based on the fair value of the rent totaling \$55,000 for the year ended June 30, 2018. The rental fees represent a substantial portion of revenue for the Foundation each year. Should the Market Place cease to take place, there would be significant financial effect on the Foundation.

The majority of the donors to the Foundation are from Ventura County, including a bequest of \$12,800,00 from a single estate. The bequest is reported as a current pledge and bequest receivable and a temporarily restricted contribution as of June 30, 2018.

Credit Risk

The Foundation maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. As of June 30, 2018, the Foundation had uninsured cash balances of \$185,157.

Note 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors. For the year ended June 30, 2018, the passage of time restrictions by collecting pledges receivable and awarding of various scholarships resulted in net assets released from restriction in the amount of \$716,183.

Note 10 - COMMUNITY FOUNDATION ENDOWMENT

The Foundation is the beneficiary of an endowment fund held by Ventura County Community Foundation (VCCF). The balance in the endowment was \$1,159,688 at June 30, 2018. Because VCCF has been granted variance power, the endowment is not recorded on the Foundation's financial statements. The income from this endowment is used to grant scholarships to students who have attended Ventura Community College and are continuing their education at any four year college, university or graduate school. According to the fund agreement, the Foundation is entitled to the income produced by the endowment in accordance with VCCF's spending policy, but has no control or access to the principal. For the year ended June 30, 2018, distributions from the VCCF endowment totaled \$57,000.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 11 - FCCC OSHER INITIATIVE ENDOWMENT

The Foundation for California Community Colleges (FCCC) created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in 2008 with a lead gift from The Bernard Osher Foundation which provided a 50 percent match of contributions up to \$25 million. As of June 30, 2018, the Foundation has FCCC endowments totaling \$1,421,849. The donor-restricted funds are reflected as permanently restricted net assets, while the Board-designated portion is included in the unrestricted net asset balance. The Foundation estimates that it will receive an annual distribution of 5% to be used for scholarships in accordance with the fund agreement. Because the FCCC retains control over the distributions and the Foundation has no control or access to the principal, the matching portion of the endowment, which totaled \$679,625 as of June 30, 2018, is not recorded on the Foundation's financial statements. For the year ended June 30, 2018, distributions from the Osher endowment totaled \$108,900.

Note 12 - ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified those funds for which there is explicit donor prohibition as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Foundation and the donor-restricted endowment fund.
- (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.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 12 - ENDOWMENT FUNDS (CONTINUED)

Endowment net assets are composed of the following as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted	\$ (55,409)	\$ 599,828	\$ 7,370,833	\$ 7,915,252
Board-restricted	573,027	-	-	573,027
Total endowments	<u>\$ 517,618</u>	<u>\$ 599,828</u>	<u>\$ 7,370,833</u>	<u>\$ 8,488,279</u>

Return Objectives and Risk Parameters

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately eight percent. Actual returns in any given year may vary from this amount.

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets Including board designated, beginning of year	\$ 501,869	\$ 581,683	\$ 7,378,429	\$ 8,461,981
Net investment return (investment income, realized and unrealized gains and losses)	357,255	355,153	(92,772)	619,636
Contributions	-	-	85,176	85,176
Appropriation of endowment assets for expenditure	<u>(341,506)</u>	<u>(337,008)</u>	<u>-</u>	<u>(678,514)</u>
Endowment net assets, Including board designate, end of year	<u>\$ 517,618</u>	<u>\$ 599,828</u>	<u>\$ 7,370,833</u>	<u>\$ 8,488,279</u>

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 12 - ENDOWMENT FUNDS (CONTINUED)

Strategies Employed for Achieving Goals

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 equity-based investments to achieve its long-term return objective within prudent portfolio risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year an amount not to exceed five percent of the twelve quarter rolling average of the fair market value of the endowment assets. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. 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 to cover inflation and other expected fees. 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.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor and board restricted funds may fall below the level that current law requires the Foundation to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, these deficiencies are reported as a reduction in unrestricted net assets. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. As of June 30, 2018, the Foundation held three donor-restricted endowment funds where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall totaled \$55,409.

Note 13 - NET ASSETS

Unrestricted Net Assets

As of June 30, 2018, unrestricted net assets consist of the following:

Operations	\$ 148,157
Unfunded pension obligation	(183,010)
Donor-restricted endowment deficit	(55,409)
Net property and equipment	24,659
Board designated FCCC endowment	<u>573,027</u>
Total unrestricted net assets	<u>\$ 507,424</u>

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 13 - NET ASSETS (CONTINUED)

Temporarily Restricted Net Assets

As of June 30, 2018, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 13,885,862
Planned giving	190,130
Donations restricted for scholarships	927,355
Un-appropriated earnings on endowments	<u>599,828</u>
Total temporarily restricted net assets	<u>\$ 15,603,175</u>

Permanently Restricted Net Assets

As of June 30, 2018, permanently restricted net assets consist of the following:

Donor-restricted FCCC endowment	\$ 848,822
Pledges receivable	10,000
Orfalea Child Development Center	1,232,127
Other donor-restricted endowment funds	<u>5,279,884</u>
Total permanently restricted net assets	<u>\$ 7,370,833</u>

Note 14 - DEFINED BENEFIT PLAN

Plan Description

In 2007, the Foundation entered into the defined benefit pension plan offered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. As the Foundation is a public agency with fewer than 100 active members, their plan is required to participate in a risk pool. CalPERS issues a separate comprehensive annual report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office.

Funding Policy

Active plan members are divided into two categories of "classic" (those employed prior to January 1, 2013) and "new" (those employed after January 1, 2013). Classic plan members are required to contribute 7% of their annual covered salary, while new plan member contribute 6.25%. The Foundation is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate for fiscal year ended June 30, 2018, was 13.962% for classic plan members and 7.043% for new plan members. The contribution requirements of plan members and the Foundation are established by State statute and the employer contribution rate is established and amended by CalPERS.

VENTURA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 14 - DEFINED BENEFIT PLAN (CONTINUED)

Annual Pension Cost

For fiscal year ended June 30, 2018, the Foundation's annual pension cost of \$27,505 for CalPERS was equal to the Foundation's required contributions. The required contribution was determined as part of the June 30, 2018 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses), (b) 5.07% overall payroll growth, (c) 2.00 % per year cost-of-living adjustments and (d) 2.50% inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two to five year period (smoothed market value) depending on the size of investment gains and/or losses. CalPERS' unfunded actuarial accrued liability is being amortized as a level percentage or projected payroll on a closed basis, which is dependent on the plan's date of entry into CalPERS.

The following is a three year trend analysis for the annual pension cost and net pension obligation of the Foundation:

	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2016	\$ 38,057	100%	\$ -
June 30, 2017	\$ 36,561	100%	\$ -
June 30, 2018	\$ 27,505	100%	\$ -

The following is a three year trend analysis for the funding status of the Plan's Share of pool's value of assets and liabilities as of June 30, 2018, based upon the most recent actuarial report issued August 2018:

<u>Valuation Date</u>	<u>Accrued Liabilities (AL)</u>	<u>Share of Pool's Market Value of Assets (MVA)</u>	<u>Plan's Share of Pool's Unfunded Liability (UL)</u>	<u>Funded Ratio</u>
June 30, 2015	\$ 809,850	\$ 675,337	\$ 134,513	83.4%
June 30, 2016	\$ 916,971	\$ 722,575	\$ 194,396	78.8%
June 30, 2017	\$ 1,133,111	\$ 950,101	\$ 183,010	83.8%

Note 15 - UNFUNDED PENSION OBLIGATION

In accordance with GASB 68, the Foundation has recognized an unfunded pension obligation liability. As of June 30, 2018, the Foundation has an estimated unfunded pension liability of \$183,010 based upon the June 30, 2018 actuarial valuation report. The current year decrease in the unfunded pension obligation of \$11,386 has been recognized as an offsetting amount to the current year pension expense. In the unlikely case of a hypothetical termination, the Foundation would have an estimated unfunded pension liability of \$1,092,797 as of June 30, 2018.

Note 16 - RECLASSIFICATION

Certain amounts from the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 financial statement presentation.