VENTURA COLLEGE FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2019

Decker, Farrell & McCoy, LLP
Certified Public Accountants

VENTURA COLLEGE FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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DFM Decker, Farrell & McCoy, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Litigation Specialists & Business Appraisers

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ventura College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Ventura College Foundation (a nonprofit organization) (the "Foundation") which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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Opinion

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

Decker, Farrell & McCoy, LLP

DECKER, FARRELL & MCCOY, LLP
Camarillo, California
September 13, 2019

VENTURA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
ASSETS			
Cash and equivalents	$ 146,650	$ 302,478	$ 449,128
Pledges and bequests receivable	10,750	9,181,718	9,192,468
Prepaid expenses and deposits	19,054	-	19,054
Property and equipment, net	16,285	-	16,285
Investments	607,434	15,129,494	15,736,928
FCCC scholarship endowment	573,027	857,676	1,430,703
Beneficial interest in remainder trust, net PV discount of $347,520	-	254,626	254,626
TOTAL ASSETS	$ 1,373,200	$ 25,725,992	$ 27,099,192
LIABILITIES			
Accounts payable and accrued expenses	$ 144,165	$ -	$ 144,165
Grants payable	9,451	-	9,451
Scholarships payable	682,241	-	682,241
Unfunded pension obligation	228,079	-	228,079
TOTAL LIABILITIES	1,063,936	-	1,063,936
NET ASSETS			
Without donor restrictions	309,264	-	309,264
With donor restrictions	-	25,725,992	25,725,992
TOTAL NET ASSETS	309,264	25,725,992	26,035,256
TOTAL LIABILITIES AND NET ASSETS	$ 1,373,200	$ 25,725,992	$ 27,099,192

See accompanying notes and auditors' report.

VENTURA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2019
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions, grants and bequests	$ 89,060	$ 2,766,252	$ 2,855,312
Contributions, grants and bequests (in-kind)	91,000	100,312	191,312
Marketplace income	1,541,176	-	1,541,176
Net investment income	19,323	846,939	866,262
Change in value of beneficial interest in remainder trust	-	64,496	64,496
Other income	1,308	-	1,308
Net assets released from restrictions:	1,026,015	(1,026,015)	-
Total Revenues, Gains, and Other Support	2,767,882	2,751,984	5,519,866
EXPENSES			
Program services	1,961,614	-	1,961,614
Management and general	150,597	-	150,597
Marketplace	532,051	-	532,051
Fundraising	321,780	-	321,780
Total Expenses	2,966,042	-	2,966,042
INCREASE (DECREASE) IN NET ASSETS	(198,160)	2,751,984	2,553,824
NET ASSETS, BEGINNING OF YEAR	507,424	22,974,008	23,481,432
NET ASSETS, ENDING OF YEAR	$ 309,264	$ 25,725,992	$ 26,035,256

See accompanying notes and auditors' report.

VENTURA COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services						
	Scholarships	Promise, Campus Grants and Other	Total Program Services	Management and General	Marketplace	Development and Fundraising	Total Expense 2019
DIRECT PROGRAM EXPENSES							
Scholarships	$ 588,440	$ -	$ 588,440	$ -	$ -	$ -	$ 588,440
Grants	-	739,821	739,821	-	-	-	739,821
Total Direct Program Expenses	588,440	739,821	1,328,261	-	-	-	1,328,261
PAYROLL RELATED EXPENSES							
Salaries and wages	173,911	173,911	347,822	37,332	186,581	32,211	603,946
Payroll taxes	13,022	13,022	26,044	2,853	13,999	2,506	45,402
Benefits	70,048	70,048	140,096	31,063	80,330	16,434	267,923
Total Payroll Related Expenses	256,981	256,981	513,962	71,248	280,910	51,151	917,271
OPERATING EXPENSES							
Donor recognition	-	-	-	-	-	5,591	5,591
Schwab Estate defined expenses	-	-	-	-	-	123,506	123,506
Marketing	10,131	10,979	21,110	-	-	41,247	62,357
Legal and professional	16,489	16,477	32,966	10,337	24,228	22,779	90,310
Special events	18,435		18,435		5,910	21,893	46,238
Computer and software	15,400		15,400	2,601	4,014	24,079	46,094
Bank and merchant fees	20	60	80	95	7,125	1,793	9,093
Rent and maintenance	15,025	14,439	29,464	3,390	68,912	3,146	104,912
Trash and street sweeping	-	-	-	-	42,991	-	42,991
Security	-	-	-	-	67,540	-	67,540
Dues and subscriptions	-	50	50	290	-	3,817	4,157
Insurance	-	-	-	4,064	3,148	3,148	10,360
Meetings, conferences and travel	879	-	879	800	-	8,189	9,868
Printing and postage	-	-	-	288	6,514	1,611	8,413
Professional development	510	6	516	2,287	-	8,495	11,298
Supplies	491	-	491	3,323	15,519	1,335	20,668
CalPERS settlement	-	-	-	42,572	-	-	42,572
Miscellaneous	-	-	-	3,154	3,015	-	6,169
Total Operating Expenses	77,380	42,011	119,391	73,201	248,916	270,629	712,137
Total Operating Expenses Before Depreciation	922,801	1,038,813	1,961,614	144,449	529,826	321,780	2,957,669
Depreciation	-	-	-	6,148	2,225	-	8,373
Total Expenses	$ 922,801	$ 1,038,813	$ 1,961,614	$ 150,597	$ 532,051	$ 321,780	$ 2,966,042

See accompanying notes and auditors' report.

VENTURA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$ 2,553,824
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization expense	8,373
Net realized and unrealized gains investments	(549,038)
(Increase) decrease in operating assets:	
Promises to give	4,703,394
Deposits and prepaid expenses	11,613
VCCF Endowment Fund	(64,496)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	46,905
Grants and scholarships payable	(194,113)
Unfunded pension obligation	45,069
CASH PROVIDED BY OPERATING ACTIVITIES	6,561,531
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the sale of marketable securities	11,299,528
Purchase of marketable securities	(17,882,821)
CASH USED IN INVESTING ACTIVITIES	(6,583,293)
NET INCREASE (DECREASE) IN CASH	(21,762)
CASH AT BEGINNING OF YEAR	470,890
CASH AT END OF YEAR	$ 449,128
SUPPLEMENTAL DISCLOSURES:	
In-kind contributions of goods for programs and administrative	$ 100,312
In-kind contributions of rent	$ 91,000

See accompanying notes and auditors' report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foundation

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.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources which are not subject to donor-imposed restrictions, and may include voluntary reserves or board designations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Cash and Cash Equivalents

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are valued at the closing price on the last business day of the year. Investments are authorized and reviewed in good faith by the board of directors through a board approved investment policy. The board is assisted by management and a third-party investment manager using methods that are consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). 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

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 reasonably estimable. As of June 30, 2019, the Foundation had no uncertain tax positions requiring accrual. As of the year ended June 30, 2019, the Foundation's tax years for the years ended June 30, 2018, 2017 and 2016 are subject to examination by the taxing authorities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- 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 and/or promise to give. During the fiscal year ended June 30, 2019, 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.

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 selects students annually to 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 or deferred by the following fiscal school year are rescinded and returned to the appropriate fund and netted against program expenses for the year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and benefit several functions are allocated based upon estimates of time and effort of personnel supporting those functions.

Marketing Expenses

Marketing costs are expensed as incurred.

Subsequent Events

The Foundation has evaluated subsequent events through September 13, 2019, the date which the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

Equipment	$ 129,143
Tenant improvements	96,631
	225,774
Accumulated depreciation	(209,489)
Property and Equipment, net	$ 16,285

Depreciation expense for the year ended June 30, 2019 was $8,373.

NOTE 3 - 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, 2019; therefore, no current provision has been made.

See auditors' report.

NOTE 3 - PLEDGES RECEIVABLE (continued)

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

2020	$ 8,901,501
2021	75,742
2022	85,925
2023	79,300
2024	50,000
TOTAL	$ 9,192,468

NOTE 4 - 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, 2019, investments consist of the following:

Equities	$ 5,046,950
Exchange-traded funds	4,337,520
Fixed income	6,352,458
Total Investments	$ 15,736,928

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

Investment gains	$ 549,038
Interest and dividends	372,124
Investment expenses	(54,900)
Net investment income	$ 866,262

NOTE 5 - BENEFICIAL INTEREST IN REMAINDER TRUST

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 beneficial interest in the remainder trust on the Statements of Activities.

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 publicly 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.
Beneficial Interest in Remainder Trust	Valued at estimated net present value (NPV) of beneficial interest in trust.

See auditors' report.

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, 2019:

Description	Level 1	Level 2	Level 3	Total
Money Market	$ 142,647	$ -	$ -	$ 142,647
Investments				
Equities	5,046,950	-	-	5,046,950
Exchange-traded funds	4,337,520	-	-	4,337,520
Fixed income	6,352,457	-	-	6,352,457
Subtotal Investments	15,736,927	-	-	15,736,927
FCCC Endowment	-	1,430,703	-	1,430,703
Beneficial interest in remainder trust	-	254,626	-	254,626
Total assets measured at fair value	$ 15,879,574	$ 1,685,329	$ -	$ 17,564,903

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, 2019 is not determinable. The Foundation paid $3,761 for unemployment compensation for the year ended June 30, 2019.

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.

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. 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 $2,000,00 from a single estate. The bequest is reported as a current pledge and bequest receivable and restricted by donor as of June 30, 2019.

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, 2019, the Foundation had uninsured cash balances of $4,912.

NOTE 9 - 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 $1,146,849 at June 30, 2019. 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 colledge, 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, 2019, the distributions from the VCCF endowment totaled $58,949.

NOTE 10 - 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, 2019, the Foundation has FCCC endowments totaling $1,430,703 . 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 $679,675 as of June 30, 2019, is not recorded on the Foundation's financial statements. For the year ended June 30, 2019, distributions from the Osher endowment totaled $69,300.

NOTE 11 - ENDOWMENT FUNDS

The composition of and changes in board designated and donor-restricted endowment assets as of and for the year ended June 30, 2019 are as follows:

	Managed by Outside Trustee	Managed by Foundation	Total
Board Designated			
Endowments assets, beginning of year	$ 573,027	$ -	$ 573,027
Contributions	-	6,464,127	6,464,127
Net investment income	-	244,281	244,281
Disbursements:			
Scholarships	-	-	-
Other expenditures	-	(134,608)	(134,608)
Transfer to a non-endowment account	-	-	-
Endowment assets, end of year	$ 573,027	$ 6,573,800	$ 7,146,827

See auditors' report.

NOTE 11 - ENDOWMENT FUNDS (continued)

	Managed by Outside Trustee	Managed by Foundation	Total
Donor-Restricted			
Endowments assets, beginning of year	$ 848,822	$ 7,852,180	$ 8,701,002
Contributions	50	110,810	110,860
Net investment income	78,104	528,675	606,779
Disbursements:			
Scholarships	(69,300)	(321,427)	(390,727)
Other expenditures	-	-	-
Transfer to a non-endowment account	-	(10,884)	(10,884)
Endowment assets, end of year	$ 857,676	$ 8,159,354	$ 9,017,030
Total Endowments			
Endowments assets, beginning of year	$ 1,421,849	$ 7,852,180	$ 9,274,029
Contributions	50	6,574,937	6,574,987
Net investment income	78,104	772,956	851,060
Disbursements:			
Scholarships	(69,300)	(321,427)	(390,727)
Other expenditures	-	(134,608)	(134,608)
Transfer to a non-endowment account	-	(10,884.00)	(10,884)
Endowment assets, end of year	$ 1,430,703	$ 14,733,154	$ 16,163,857

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.

NOTE 11 - ENDOWMENT FUNDS (continued)

Interpretation of Relevant Law

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:

The duration and preservation of the fund.

The purposes of the Foundation 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 Foundation.

The investment policies of the Foundation.

Depreciable lives of property and equipment.

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.

NOTE 11 - 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, 2019, the Foundation held one donor-restricted endowment fund where the market value had fallen below the original corpus due to market conditions. The amount of the shortfall is as follows:

Fair market value as of June 30, 2019	$ 551,370
Original corpus of endowment	566,500
Fair market value below original corpus	$ (15,130)

See auditors' report.

NOTE 12 - NET ASSETS

With Donor Restrictions

As of June 30, 2019, net assets with donor restrictions consist of the following:

Cash accounts	$ 302,478
Pledge receivable	9,181,718
FCCC scholarship endowment	857,676
Beneficial interest in remainder trust, net PV discount	254,626
Investments	15,129,494
Total net assets with donor restrictions	$ 25,725,992

NOTE 13 - 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 an auxiliary organization of a public agency, the Ventura County Community College District, it is eligible to participate in CalPERS and has chosen to do so. The Foundation is required to participate in the miscellaneous risk pool. CalPERS issues a separate comprehensive annual report for the Foundation's plan. 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 "PEPRA" (those employed after January 1, 2013). Classic plan members are required to contribute 7% of their annual covered salary, while new plan members 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, 2019, was 8.892% for classic plan members and 6.842% for PEPRA 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.

NOTE 13 - DEFINED BENEFIT PLAN (continued)

Annual Pension Cost

For fiscal year ended June 30, 2019, the Foundation's annual pension cost of $51,207 for CalPERS was equal to the Foundation's required contributions. The required contribution was determined as part of the June 30, 2019 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.% investment rate of return (net of administrative expenses), (b) 7.% overall payroll growth, (c) 2.75% per year cost-of-living adjustments and (d) 2.5% 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:

	Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
June 30, 2017	$ 36,561	100%	$ -
June 30, 2018	$ 27,505	100%	$ -
June 30, 2019	$ 51,207	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, 2019, based upon the most recent actuarial report issued July 2019:

Valuation Date	Accrued Liabilities (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability (UL)	Funded Ratio
June 30, 2016	$ 916,971	$ 722,575	$ 194,396	79%
June 30, 2017	$ 1,133,111	$ 950,101	$ 183,010	84%
June 30, 2018	$ 1,180,752	$ 958,613	$ 228,079	81%

See auditors' report.

NOTE 14 - UNFUNDED PENSION OBLIGATION

The Foundation has recognized an unfunded pension obligation liability. As of June 30, 2019, the Foundation has an estimated unfunded pension liability of $228,079 based upon the June 30, 2019 actuarial valuation report. The current year increase in the unfunded pension obligation of $45,069 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 $1,180,752 as of June 30, 2019.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's working capital and cash flows are attributable to the annual cash receipts of donations and Marketplace income . Monthly cash outflows vary each year based on the specific requirements of the programs planned during the year. To manage liquidity, the Foundation utilizes the income provided from the Marketplace and investments as needed during the year to manage cash flow.

As shown on the face of the statement of financial position, and summarized below, most of the Foundation's financial assets are subject to donor-imposed restrictions on use:

Financial assets available with one year and free of donor restrictions:	
Cash and cash equivalents	$ 449,128
Investments	15,736,928
Less, those unavailable for general expenditures within one year, due to:	
Scholarship endowments	(14,707,406)
Annual scholarships payable	(682,241)
Grant payable	(9,451)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	$ 786,958

NOTE 16 - 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 June 30, 2019.

See auditors' report.

NOTE 16 - LEASES (continued)

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, 2019.

NOTE 17 - RECLASSIFICATION

Certain amounts from the June 30, 2018 financial statements have been reclassified to conform to the June 30, 2019 financial statement presentation.