

**VENTURA COLLEGE FOUNDATION  
FINANCIAL STATEMENTS  
JUNE 30, 2020**

**Decker, Farrell & McCoy, LLP**  
*Certified Public Accountants*

**VENTURA COLLEGE FOUNDATION  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**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, 2020 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.

***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, 2020, 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.

***Report on Summarized Comparative Information***

We have previously audited the Ventura College Foundation June 30, 2019, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated September 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Decker, Farrell & McCoy, LLP*

**DECKER, FARRELL & MCCOY, LLP**

Camarillo, California

October 23, 2020

**VENTURA COLLEGE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total	(Memo) Total 2019
<b>ASSETS</b>				
Cash and equivalents	\$ 252,824	\$ 225,940	\$ 478,764	\$ 449,128
Pledges and bequests receivable	690,085	6,865,525	7,555,610	9,192,468
Prepaid expenses and deposits	44,419	-	44,419	19,054
Property and equipment, net	10,944	-	10,944	16,285
Investments	577,903	17,454,010	18,031,913	15,736,928
FCCC scholarship endowment	549,379	824,280	1,373,659	1,430,703
Beneficial interest in remainder trust, net PV discount of \$320,838	-	248,608	248,608	254,626
<b>TOTAL ASSETS</b>	<u>\$ 2,125,554</u>	<u>\$ 25,618,363</u>	<u>\$ 27,743,917</u>	<u>\$ 27,099,192</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 141,846	\$ -	\$ 141,846	\$ 144,165
Grants payable	27,203	-	27,203	9,451
Scholarships payable	750,023	-	750,023	682,241
Unfunded pension obligation	237,535	-	237,535	228,079
Deferred PPP loan	144,000	-	144,000	-
<b>TOTAL LIABILITIES</b>	<u>1,300,607</u>	<u>-</u>	<u>1,300,607</u>	<u>1,063,936</u>
<b>NET ASSETS</b>				
Without donor restrictions				
Undesignated net assets	724,947	-	724,947	209,264
Board designated net assets	100,000	-	100,000	100,000
Total net assets without donor restrictions	824,947	-	824,947	309,264
With donor restrictions	-	25,618,363	25,618,363	25,725,992
<b>TOTAL NET ASSETS</b>	<u>824,947</u>	<u>25,618,363</u>	<u>26,443,310</u>	<u>26,035,256</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,125,554</u>	<u>\$ 25,618,363</u>	<u>\$ 27,743,917</u>	<u>\$ 27,099,192</u>

See accompanying notes and auditors' report.

**VENTURA COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total	(Memo) Total 2019
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Contributions, grants and bequests	\$ 158,222	\$ 1,470,349	\$ 1,628,571	\$ 2,855,312
Contributions, grants and bequests (in-kind)	129,566	74,514	204,080	191,312
Marketplace income	1,066,116	-	1,066,116	1,541,176
Net investment income	6,291	541,824	548,115	866,262
Change in value of beneficial interest in remainder trust	-	(6,018)	(6,018)	64,496
Other income	21,341	-	21,341	1,308
Net assets released from restrictions	2,188,298	(2,188,298)	-	-
 Total Revenues, Gains, and Other Support	 3,569,834	 (107,629)	 3,462,205	 5,519,866
<b>EXPENSES</b>				
Program services	2,133,888	-	2,133,888	1,961,614
Management and general	128,892	-	128,892	150,597
Marketplace	490,338	-	490,338	532,051
Fundraising	301,033	-	301,033	321,780
 Total Expenses	 3,054,151	 -	 3,054,151	 2,966,042
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 515,683	 (107,629)	 408,054	 2,553,824
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 309,264	 25,725,992	 26,035,256	 23,481,432
 <b>NET ASSETS, ENDING OF YEAR</b>	 \$ 824,947	 \$ 25,618,363	 \$ 26,443,310	 \$ 26,035,256

See accompanying notes and auditors' report.

**VENTURA COLLEGE FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Program Services							
	Scholarships	Promise, Campus Grants and Other	Total Program Services	Management and General	Marketplace	Development and Fundraising	Total Expense	(Memo) Total 2019
<b>DIRECT PROGRAM EXPENSES</b>								
Scholarships	\$ 679,165	\$ 8,000	\$ 687,165	\$ -	\$ -	\$ -	\$ 687,165	\$ 588,440
Grants	-	898,308	898,308	-	-	-	898,308	739,821
Total Direct Program Expenses	679,165	906,308	1,585,473	-	-	-	1,585,473	1,328,261
<b>PAYROLL RELATED EXPENSES</b>								
Salaries and wages	140,414	135,912	276,326	55,176	181,422	115,930	628,854	603,946
Payroll taxes	10,249	9,908	20,157	4,096	13,497	8,303	46,053	45,402
Benefits	66,457	66,457	132,914	17,740	42,272	23,108	216,034	267,923
Total Payroll Related Expenses	217,120	212,277	429,397	77,012	237,191	147,341	890,941	917,271
<b>OPERATING EXPENSES</b>								
Donor recognition	-	-	-	-	-	2,866	2,866	5,591
Schwab Estate defined expenses	-	-	-	-	-	39,178	39,178	123,506
Marketing	9,628	15,563	25,191	-	14,220	40,863	80,274	62,357
Legal and professional	2,981	12,419	15,400	19,077	11,880	16,082	62,439	90,310
Special events	1,712	-	1,712	-	-	10,208	11,920	46,238
Computer and software	7,738	-	7,738	696	3,930	6,333	18,697	46,094
Bank and merchant fees	-	50	50	197	5,459	1,405	7,111	9,093
Rent and maintenance	10,271	8,395	18,666	5,220	71,020	10,181	105,087	104,912
Trash and street sweeping	-	-	-	-	34,687	-	34,687	42,991
Security	-	-	-	-	49,423	-	49,423	67,540
Dues and subscriptions	-	50	50	-	-	2,325	2,375	4,157
Uncollectible pledges	965	37,300	38,265	-	-	5,000	43,265	-
Contributions	-	-	-	5,000	-	-	5,000	-
Insurance	4,383	5,050	9,433	8,453	35,554	2,749	56,189	10,360
Meetings, conferences and travel	106	-	106	1,833	-	2,824	4,763	9,868
Printing and postage	-	-	-	1,755	7,013	1,072	9,840	8,413
Professional development	2,151	175	2,326	370	-	9,543	12,239	11,298
Supplies	-	81	81	3,487	14,570	2,404	20,542	20,668
Calpers settlement	-	-	-	-	-	-	-	42,572
Miscellaneous	-	-	-	908	4,933	659	6,500	6,169
Total Operating Expenses	39,935	79,083	119,018	46,996	252,689	153,692	572,395	712,137
Total Expenses Before Depreciation	936,220	1,197,668	2,133,888	124,008	489,880	301,033	3,048,809	2,957,669
Depreciation	-	-	-	4,884	458	-	5,342	8,373
Total Expenses	\$ 936,220	\$ 1,197,668	\$ 2,133,888	\$ 128,892	\$ 490,338	\$ 301,033	\$ 3,054,151	\$ 2,966,042

See accompanying notes and auditors' report.

**VENTURA COLLEGE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**

	2020	(Memo) Total 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 408,054	\$ 2,553,824
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	5,342	8,373
Net realized and unrealized gains investments	(108,010)	(549,038)
(Increase) decrease in operating assets:		
Promises to give	1,636,858	4,703,394
Deposits and prepaid expenses	(25,365)	11,613
Beneficial interest in remainder trust	6,018	(64,496)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(2,319)	46,905
Grants and scholarships payable	85,534	(194,113)
Unfunded pension obligation	9,456	45,069
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,015,568</u>	<u>6,561,531</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of marketable securities	28,922,155	11,299,528
Purchase of marketable securities	<u>(31,052,087)</u>	<u>(17,882,821)</u>
<b>CASH USED IN INVESTING ACTIVITIES</b>	<u>(2,129,932)</u>	<u>(6,583,293)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Funding received from deferred PPP loan	<u>144,000</u>	<u>-</u>
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>144,000</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	29,636	(21,762)
<b>CASH AT BEGINNING OF YEAR</b>	<u>449,128</u>	<u>470,890</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 478,764</u></u>	<u><u>\$ 449,128</u></u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
In-kind contributions of goods for programs and administrative	\$ 113,080	\$ 100,312
In-kind contributions of rent	\$ 91,000	\$ 91,000

See accompanying notes and auditors' report.



**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**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.

See auditors’ report.

**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**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 California adopted 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
Furniture	5 – 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, 2020, the Foundation had no uncertain tax positions requiring accrual. As of the year ended June 30, 2020, the Foundation's tax years for the years ended June 30, 2019, 2018 and 2017 are subject to examination by the taxing authorities.

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**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. During the fiscal year ended June 30, 2020, 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.

See auditors' report.

**VENTURA COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

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**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.

**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, 2020; 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:

2021	\$ 7,138,356
2022	216,384
2023	148,995
2024	<u>51,875</u>
TOTAL	<u>\$ 7,555,610</u>

**NOTE 3 - PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following:

Equipment and furniture	\$ 129,143
Tenant improvements	<u>96,631</u>
	225,774
Accumulated depreciation	<u>(214,830)</u>
Property and Equipment, net	<u>\$ 10,944</u>

Depreciation expense for the year ended June 30, 2020 was \$5,342.

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**NOTE 4 - 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.

**VENTURA COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**NOTE 4 - 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, 2020:

Description	Level 1	Level 2	Level 3	Total
Money Market	\$ 111,262	\$ -	\$ -	\$ 111,262
Investments				
Exchange-traded funds	18,031,913	-	-	18,031,913
FCCC Endowment	-	1,373,659	-	1,373,659
Beneficial interest in remainder trust	-	248,608	-	248,608
Total assets measured at fair value	<u>\$ 18,143,175</u>	<u>\$ 1,622,267</u>	<u>\$ -</u>	<u>\$ 19,765,442</u>

**NOTE 5 - 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, 2020, all investments are held in exchange traded funds.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

Investment gains	\$ 108,012
Interest and dividends	518,655
Investment expenses	<u>(78,552)</u>
Net investment income	<u>\$ 548,115</u>

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**NOTE 6 - 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, 2020, the Foundation has FCCC endowments totaling \$1,373,659. 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 \$675,586 as of June 30, 2020, is not recorded on the Foundation's financial statements. For the year ended June 30, 2020, distributions from the Osher endowment totaled \$71,200, and distributions received from the FCCC controlled endowment totaled \$34,000.

**NOTE 7 - 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 \$1,162,245 at June 30, 2020. 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, 2020, the distributions available from the VCCF endowment totaled \$57,216.

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**NOTE 8 - 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:

- 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.

See auditors' report.



**VENTURA COLLEGE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**NOTE 8 - ENDOWMENT FUNDS**

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Managed by Outside Trustee	Managed by Foundation	Total
<u><i>Board Designated</i></u>			
Endowments assets, beginning of year	\$ 573,027	\$ 6,573,800	\$ 7,146,827
Net investment income	4,869	231,696	236,565
Appropriation of endowment assets for expenditure	(28,517)	(61,056)	(89,573)
Endowment assets, end of year	549,379	6,744,440	7,293,819
<u><i>Donor-Restricted</i></u>			
Endowments assets, beginning of year	857,676	8,159,354	9,017,030
Contributions	2,000	2,084,214	2,086,214
Net investment income	7,287	296,860	304,147
Transfer to a non-endowed account	-	(3,620)	(3,620)
Appropriation of endowment assets for expenditure	(42,683)	(292,356)	(335,039)
Endowment assets, end of year	824,280	10,244,452	11,068,732
<u><i>Total Endowments</i></u>			
Endowments assets, beginning of year	1,430,703	14,733,154	16,163,857
Contributions	2,000	2,084,214	2,086,214
Net investment income	12,156	528,556	540,712
Transfer to a non-endowed account	-	(3,620)	(3,620)
Appropriation of endowment assets for expenditure	(71,200)	(353,412)	(424,612)
Endowment assets, end of year	<u>\$ 1,373,659</u>	<u>\$ 16,988,892</u>	<u>\$ 18,362,551</u>

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
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**NOTE 8 - 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**

The Foundation's Investment Committee will use the rolling average method of determining year to year spending in order to smooth distributions from the aggregate portfolio. The portfolio value will be determined based on a 3-year rolling average. This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by this Endowment. Second, it allows the Investment Committee to design an investment strategy which is more aggressive with a higher expected return than might be the case if spending were determined by annual investment performance. By smoothing the spending, the Endowment reduces the likelihood of real principal erosion due to portfolio volatility. The Investment Committee has set the spending target to be 4% of the 12-quarter rolling average of the portfolio value of each endowment fund ending the final day of March, June, September and December of each year. The method for determining the specific spending will be calculated using 4% as a starting value, and adjusting program specific spending upwards no amount not to exceed 5%. If a fund has been invested for less than three years, the average balance of the fund's value for the length of its investment is used.

**Endowment Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, funds with original gift value of \$2,586,500, the fair values of \$2,561,703, and deficiencies of \$24,797, were reported in net assets with donor restrictions.

**NOTE 9 - PLANNED GIVING - 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.

See auditors' report.

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**NOTE 10 - UNFUNDED PENSION OBLIGATION**

The Foundation has recognized an unfunded pension obligation liability. As of June 30, 2020, the Foundation has an estimated unfunded pension liability of \$237,535 based upon the June 30, 2020 actuarial valuation report. The current year increase in the unfunded pension obligation of \$9,456 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 \$1,320,050 as of June 30, 2020.

**NOTE 11 - DEFERRED PPP LOAN**

On May 6, 2020, the Foundation entered into a Loan Agreements and Promissory Notes (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the U.S. Small Business Administration. The Foundation received total loan proceeds of \$144,000. The loan is scheduled to mature on May 6, 2022, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used by the Foundation during the 24 weeks period after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, at least 60% of the loan amount is used for eligible payroll costs, the maintenance or rehiring of employees, and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Foundation intends to use the proceeds from the loan primarily for payroll costs. No assurance can be given that the Foundation will be granted forgiveness of the loans in whole or in part.

**NOTE 12 - CONTINGENT LIABILITY**

The Foundation is self-insured for unemployment compensation to former employees, which requires the Foundation to reimburse the state unemployment trust funds for the amount of benefits terminated employees have claimed. As of June 30, 2020, the amount of unemployment compensation liability is estimated and accrued at \$7,181.

See auditors' report.

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**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 to 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 "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 6.75%. 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, 2020, was 9.68% for classic plan members and 6.985% 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.

*Annual Pension Cost*

For fiscal year ended June 30, 2020, the Foundation's annual pension cost of \$57,870 for CalPERS was equal to the Foundation's required contributions. The required contribution was determined as part of the June 30, 2020 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 of projected payroll on a closed basis, which is dependent on the plan's date of entry into CalPERS.

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

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**NOTE 13 - DEFINED BENEFIT PLAN (continued)**

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, 2018	\$ 27,505	100%	\$ -
June 30, 2019	\$ 51,207	100%	\$ -
June 30, 2020	\$ 57,870	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, 2020, based upon the most recent actuarial report issued in July 2020 as of June 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, 2017	\$ 1,133,111	\$ 950,101	\$ 183,010	84%
June 30, 2018	\$ 1,180,752	\$ 958,613	\$ 228,079	81%
June 30, 2019	\$ 1,320,050	\$ 1,081,564	\$ 237,535	82%

**NOTE 14 - 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, 2020.

The Foundation operates a swap meet called the Marketplace 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, 2020.

See auditors' report.

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**NOTE 15 - 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 majority of the donors to the Foundation are from Ventura County.

The Foundation operates a swap meet called the Marketplace 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 Marketplace cease to take place, there would be significant financial effect on the Foundation.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, measures taken by various governments to contain the virus have affected economic activity and the Foundation's operations in various significant ways.

Marketplace shutdown was declared in accordance with county, district and college directives on March 13, 2020. The complete shutdown of the Marketplace started on March 14, 2020 through May 24, 2020 with limited reopening on May 30, 2020. The limits placed on the Marketplace include the number of vendors allowed and the type of products available. The Foundation has experienced a significant decrease in revenue generated from the Marketplace. The Foundation's cumulative revenue for the period of shutdown and limited capacity was approximately \$442,000 lower when compared to the same period during 2019. The Foundation has taken and will continue to take measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees and customers, and be in compliance with local regulations.

*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, 2020, the Foundation had uninsured cash balances of \$138,401.

See auditors' report.

**VENTURA COLLEGE FOUNDATION  
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**NOTE 16 - 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	\$ 478,764
Investments	18,031,913

Less, those unavailable for general expenditures within  
one year, due to:

Scholarship endowments	(15,246,879)
Annual scholarships payable	(750,023)
Grant payable	<u>(27,203)</u>

Financial Assets Available to Meet Cash	
Needs for Expenditures Within One Year	<u><u>\$ 2,486,572</u></u>

**NOTE 17 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 23, 2020, the date the financial statements were available to be issued. The Foundation has informed us the local government has continued restrictions on Marketplace due to COVID-19 (see Note 15), which has significantly decreased the Marketplace revenue. Management is currently evaluating the impact it will have on future operations.

See auditors' report.