

**IRVINE VALLEY COLLEGE FOUNDATION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**



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**IRVINE VALLEY COLLEGE FOUNDATION
TABLE OF CONTENTS
JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES 2020	4
STATEMENT OF ACTIVITIES 2019	5
STATEMENTS OF CASH FLOWS	6
STATEMENTS OF FUNCTIONAL EXPENSE	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Governors
Irvine Valley College Foundation
Irvine, California

We have audited the accompanying financial statements of Irvine Valley College Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

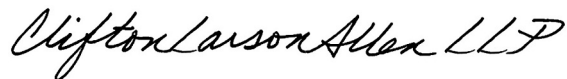
Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, Irvine Valley College Foundation implemented the Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* and early implemented ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Our auditors' opinion was not modified with respect to the implementation.

Correction of Error

As discussed in Note 9 to the financial statements, certain errors resulting in an overstatement of net assets with donor restrictions reported in the statement of financial position as of June 30, 2019 and the statement of activities for the fiscal year then ended were discovered. Accordingly, beginning net assets have been restated in the June 30, 2019 financial statements now presented. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Glendora, California
November 4, 2020

**IRVINE VALLEY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u> <u>(as Restated)</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 185,806	\$ 364,284
Accounts Receivable	5,692	3,360
Investments, at Fair Value	3,203,682	2,654,290
Prepays	355	2,825
Total Current Assets	<u>3,395,535</u>	<u>3,024,759</u>
NONCURRENT ASSETS		
Investments with FCCC	<u>411,249</u>	<u>428,244</u>
Total Noncurrent Assets	<u>411,249</u>	<u>428,244</u>
Total Assets	<u><u>\$ 3,806,784</u></u>	<u><u>\$ 3,453,003</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,493	\$ 25,624
Pass-Through Scholarships Payable	<u>27,959</u>	<u>34,063</u>
Total Current Liabilities	<u>36,452</u>	<u>59,687</u>
NET ASSETS		
Without Donor Restrictions	1,268,781	1,174,978
With Donor Restrictions	<u>2,501,551</u>	<u>2,218,338</u>
Total Net Assets	<u>3,770,332</u>	<u>3,393,316</u>
Total Liabilities and Net Assets	<u><u>\$ 3,806,784</u></u>	<u><u>\$ 3,453,003</u></u>

See accompanying Notes to Financial Statements.

**IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 213,702	\$ 514,803	\$ 728,505
Campus Programs	64,008	-	64,008
In-Kind Donations	31,393	-	31,393
Donated Services	787,986	-	787,986
Donated Professional Fees	28,292	-	28,292
Total Support	1,125,381	514,803	1,640,184
Other Income, Gains, and Losses:			
Investment Income	31,138	27,536	58,674
Realized Gain (Loss) on Investments	4,997	11,708	16,705
Unrealized Gain (Loss) on Investments	25,983	10,208	36,191
Change in Value of FCCC Investments	-	(16,995)	(16,995)
Total Other Income, Gains, and Losses	62,118	32,457	94,575
Total Revenues Before Net Assets Released from Restrictions	1,187,499	547,260	1,734,759
Net Assets Released from Restrictions	264,047	(264,047)	-
Total Support and Revenue	1,451,546	283,213	1,734,759
OPERATING EXPENSES			
Program Services	908,702	-	908,702
Supporting Services:			-
Management and General	263,617	-	263,617
Fundraising	185,424	-	185,424
Total Operating Expenses	1,357,743	-	1,357,743
CHANGE IN NET ASSETS	93,803	283,213	377,016
Net Assets - Beginning of Year as Restated (Note 9)	1,174,978	2,218,338	3,393,316
NET ASSETS - END OF YEAR	\$ 1,268,781	\$ 2,501,551	\$ 3,770,332

See accompanying Notes to Financial Statements.

**IRVINE VALLEY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions <u>(as Restated)</u>	With Donor Restrictions <u>(as Restated)</u>	Total <u>(as Restated)</u>
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 249,763	\$ 497,960	\$ 747,723
Special Events Income - Fundraisers	109,034	-	109,034
Campus Programs	36,376	-	36,376
In-Kind Donations	37,552	-	37,552
Donated Services	727,762	-	727,762
Donated Professional Fees	22,014	-	22,014
Total Support	<u>1,182,501</u>	<u>497,960</u>	<u>1,680,461</u>
Other Income, Gains, and Losses:			
Investment Income	23,705	29,388	53,093
Realized Gain (Loss) on Investments	10,394	23,280	33,674
Unrealized Gain (Loss) on Investments	23,649	19,874	43,523
Change in Value of FCCC Investments	-	2,849	2,849
Other Income	-	124	124
Total Other Income, Gains, and Losses	<u>57,748</u>	<u>75,515</u>	<u>133,263</u>
Total Revenues Before Net Assets Released from Restrictions	1,240,249	573,475	1,813,724
Net Assets Released from Restrictions	<u>445,933</u>	<u>(445,933)</u>	<u>-</u>
Total Support and Revenue	1,686,182	127,542	1,813,724
OPERATING EXPENSES			
Program Services	1,111,126	-	1,111,126
Supporting Services:			
Management and General	181,132	-	181,132
Fundraising	196,430	-	196,430
Total Operating Expenses	<u>1,488,688</u>	<u>-</u>	<u>1,488,688</u>
CHANGE IN NET ASSETS	197,494	127,542	325,036
Net Assets - Beginning of Year as Restated (Note 9)	<u>977,484</u>	<u>2,090,796</u>	<u>3,068,280</u>
NET ASSETS - END OF YEAR	<u>\$ 1,174,978</u>	<u>\$ 2,218,338</u>	<u>\$ 3,393,316</u>

See accompanying Notes to Financial Statements.

**IRVINE VALLEY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and Special Events	\$ 757,566	\$ 944,042
Campus Programs	64,008	36,260
Investment Income	58,674	53,093
Other Income	-	124
Payments to/on Behalf of District Employees	(14,992)	(25,392)
Payments to Suppliers	(208,017)	(516,496)
Payments to/on Behalf of Students	(339,221)	(407,153)
Net Cash Provided by Operating Activities	318,018	84,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,326,054)	(243,305)
Proceeds from Sale of Investments	829,558	343,415
Net Cash Provided (Used) by Investing Activities	(496,496)	100,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(178,478)	184,588
Cash and Cash Equivalents - Beginning of Year	364,284	179,696
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 185,806	\$ 364,284
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 377,016	\$ 325,036
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gain on Investments	(35,901)	(80,046)
Changes in Assets and Liabilities:		
Accounts Receivable	(2,332)	49,733
Prepays	2,470	420
Accounts Payable	(17,131)	(187,222)
Accrued Liabilities	-	(33,233)
Deferred Revenue	-	(116)
Pass Through Scholarships Payable	(6,104)	9,906
Net Cash Provided by Operating Activities	\$ 318,018	\$ 84,478

See accompanying Notes to Financial Statements.

**IRVINE VALLEY COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			
	Program Services Student and Campus Support	Management and General	Fundraising	Total
Salaries and Benefits	\$ 10,388	\$ 2,175	\$ 2,429	\$ 14,992
Scholarships and Grants	333,117	-	-	333,117
Donated Services	439,642	204,985	143,359	787,986
Donated Professional Fees	-	28,292	-	28,292
Supplies and Printing	34,363	8,324	2,826	45,513
Conferences and Meetings	13,408	1,147	-	14,555
Dues and Memberships	5,165	2,485	74	7,724
Equipment	2,676	445	-	3,121
Contract Services	27,559	3,618	-	31,177
Special Events	-	-	34,313	34,313
Program Expenses	29,835	384	644	30,863
Other Expenses	12,549	11,762	1,779	26,090
	\$ 908,702	\$ 263,617	\$ 185,424	\$ 1,357,743

	2019			
	Program Services Student and Campus Support	Management and General	Fundraising	Total
Salaries and Benefits	\$ 54,664	\$ -	\$ 3,961	\$ 58,625
Scholarships and Grants	348,933	-	-	348,933
Donated Services	465,133	131,863	130,766	727,762
Donated Professional Fees	-	22,014	-	22,014
Supplies and Printing	17,196	2,676	612	20,484
Conferences and Meetings	24,833	-	-	24,833
Dues and Memberships	2,270	2,381	-	4,651
Equipment	58,701	-	-	58,701
Contract Services	31,477	3,343	-	34,820
Special Events	-	-	52,799	52,799
Program Expenses	81,531	5,292	5,343	92,166
Other Expenses	26,388	13,563	2,949	42,900
	\$ 1,111,126	\$ 181,132	\$ 196,430	\$ 1,488,688

See accompanying Notes to Financial Statements.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

Basis of Accounting

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

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for board-designated ProIVC match.

Net Assets With Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Public Support and Revenue

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

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Campus programs service revenue recognized primarily consists of health center fees and is recognized as the time the health services are provided. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. For the fiscal year ended June 30, 2020, there were no fundraising events with direct benefits to donors. For the fiscal year ended June 30, 2019, the direct benefits to donors totaled \$86,802.

Donated Assets, Services, and Facilities

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

IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Use of Estimates

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

Income Taxes

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

United States Generally Accepted Accounting Principles (US GAAP) requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Reclassifications

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

Change in Accounting Principle

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The update clarified the guidance in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has also early adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019 (as Restated)</u>
Cash and Cash Equivalents	\$ 185,806	\$ 364,284
Accounts Receivable	5,692	3,360
Operating Investments	<u>3,203,682</u>	<u>2,654,290</u>
Total Financial Assets	3,395,180	3,021,934
Less:		
Board-Designated Assets	(72,748)	(17,525)
Donor-Restricted Assets (Excludes Osher)	<u>(2,090,302)</u>	<u>(1,790,094)</u>
Total Financial Assets Available for General Expenditures	<u>\$ 1,232,130</u>	<u>\$ 1,214,315</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures and have been excluded from the above analysis.

The board-designated endowment of \$72,748 and \$17,525 for the year ended June 30, 2020 and 2019, respectively, is subject to an annual spending rate of 3% as described in Note 7. Although the Foundation does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

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

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019 (as Restated)
Subject to Expenditure for Specific Purpose:		
Campus Programs	\$ 437,956	\$ 403,659
Scholarships	126,075	75,522
Not Subject to Spending Policy or Appropriations:		
Investments Held with FCCC in Perpetuity (Including Amounts Above Original Transfer Amount of \$370,359):		
Osher Scholarships	411,249	428,244
Subject to Spending Policy and Appropriation:		
Investment in Perpetuity (Including Amounts Above Original Gift Amount of \$1,281,875 and \$1,134,023), the Income from which is Expendable to Support:		
Scholarships	1,526,271	1,310,913
Net Assets with Donor Restrictions	\$2,501,551	\$ 2,218,338

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

	2020	2019 (as Restated)
Satisfaction of Purpose Restrictions		
Campus Programs	\$ 24,942	\$ 110,100
Scholarships	239,105	335,833
Total Net Assets Released from Donor Restrictions	\$ 264,047	\$ 445,933

NOTE 4 DONATED SERVICES

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

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 INVESTMENTS

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

	2020				
	Cost	Fair Value	Level 1	Level 2	Level 3
Investments:					
Money Market	\$ 32,922	\$ 32,922	\$ 32,922	\$ -	\$ -
Equities	1,044,819	1,120,627	1,120,627	-	-
Alternative	207,782	186,531		186,531	-
Fixed Income	1,858,360	1,863,602	1,863,602		
Total	<u>\$ 3,143,883</u>	<u>\$ 3,203,682</u>	<u>\$ 3,017,151</u>	<u>\$ 186,531</u>	<u>\$ -</u>
	2019				
	Cost	Fair Value	Level 1	Level 2	Level 3
Investments:					
Money Market	\$ 26,000	\$ 26,000	\$ 26,000	\$ -	\$ -
Equities	956,428	1,022,027	1,022,027	-	-
Alternative	418,810	423,991		423,991	
Fixed Income	1,225,935	1,182,272	1,182,272		-
Total	<u>\$ 2,627,173</u>	<u>\$ 2,654,290</u>	<u>\$ 2,230,299</u>	<u>\$ 423,991</u>	<u>\$ -</u>

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

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

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

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

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

	2020	2019
Interest and Dividends, Net	\$ 58,674	\$ 53,093
Realized Gain on Investments, Net	16,705	33,674
Unrealized Gain on Investments, Net	36,191	43,523
Total Investment Income	<u>\$ 111,570</u>	<u>\$ 130,290</u>

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

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

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

Since the agreement's inception, the Foundation has transferred a total of \$370,759 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2020, the fair value of this investment was \$411,249, which consisted of cash of \$14,259 equity securities of \$269,257 and fixed income instruments of \$127,733. At June 30, 2019, the fair value of this investment was \$428,244, which consisted of cash of \$8,974, equity securities of \$289,440 and fixed income instruments of \$129,857. All investments were measured at quoted prices for similar assets and market corroborated inputs (Level 2). Net investment income of \$3,555 and \$23,382 was recognized during the year ended June 30, 2020 and 2019, respectively.

Changes in FCCC net assets are as follows:

	<u>2020</u>	<u>2019</u>
Investments with FCCC - Beginning of Year	\$ 428,244	\$ 425,395
Investment Return:		
Investment Income, Net of Expenses	8,308	9,220
Net Appreciation (Realized and Unrealized)	<u>(4,753)</u>	<u>14,162</u>
Total Investment Return	<u>3,555</u>	<u>23,382</u>
Other Changes:		
Contribution	250	-
Distributions	<u>(20,800)</u>	<u>(20,533)</u>
Total Other Changes	<u>(20,550)</u>	<u>(20,533)</u>
Change in Value, FCCC Investment	<u>(16,995)</u>	<u>2,849</u>
Investments with FCCC - End of Year	<u>\$ 411,249</u>	<u>\$ 428,244</u>

The CCCSE was established to provide matching scholarships funds for California community colleges. The CCCSE was formed through a \$50 million matching commitment from the Osher Foundation and a lead contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship is valued at \$1,200 for a school year. The Foundation received distribution and matching funds from the Osher Foundation totaling \$44,400 to meet the required 5% minimum payout for scholarships.

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 ENDOWMENTS

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

Interpretation of Relevant Law

The Board of Governors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of the Foundation and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Endowment net asset composition by type of fund, as of June 30, 2020 and 2019 are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 1,937,520	\$ 1,937,520
Board-Designated Endowment Funds	72,748	-	72,748
Total	\$ 72,748	\$ 1,937,520	\$ 2,010,268
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 1,739,157	\$ 1,739,157
Board-Designated Endowment Funds	17,525	-	17,525
Total	\$ 17,525	\$ 1,739,157	\$ 1,756,682

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets for the fiscal year June 30, 2020 and 2019 are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 17,525	\$ 1,739,157	\$ 1,756,682
Contributions and Transfers	55,223	289,863	345,086
Investment Return:			
Investment Income, Net of Expenses	-	49,701	49,701
Net Appreciation (Realized and Unrealized)	-	(17,244)	(17,244)
Total Investment Return	-	32,457	32,457
Other Changes:			
Distributions	-	(123,957)	(123,957)
Total Other Changes	-	(123,957)	(123,957)
Endowment Net Assets - End of Year	<u>\$ 72,748</u>	<u>\$ 1,937,520</u>	<u>\$ 2,010,268</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 9,573	\$ 1,641,014	\$ 1,650,587
Contributions and Transfers	7,952	144,606	152,558
Investment Return:			
Investment Income, Net of Expenses	-	20,459	20,459
Net Appreciation (Realized and Unrealized)	-	46,005	46,005
Total Investment Return	-	66,464	66,464
Other Changes:			
Distributions	-	(112,927)	(112,927)
Total Other Changes	-	(112,927)	(112,927)
Endowment Net Assets - End of Year	<u>\$ 17,525</u>	<u>\$ 1,739,157</u>	<u>\$ 1,756,682</u>

IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2020 or 2019, respectively.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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

**IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, donated services, supplies and printing, conferences and meetings, dues and memberships, contract services, program expenses, and other expenses which are allocated on the basis of estimates of time and effort.

NOTE 9 ADJUSTMENT FOR RESTATEMENT

Management identified certain gift accounts that were donor-restricted that were not classified appropriately within the general ledger system. The net effect of this restatement was to the classification of beginning net assets for the current fiscal year and did not have an effect on the Foundations assets, liabilities or current year operating results. For the year ended June 30, 2019, the following financial statement line items for the fiscal year were affected by the changes:

	As Originally Reported	As Restated	Effect of Restatement
Net Assets Without Donor Restrictions	\$ 525,105	\$ 1,174,978	\$ 649,873
Net Assets With Donor Restrictions	2,868,211	2,218,338	(649,873) (1)
Contributions Without Donor Restrictions	108,442	249,763	141,321
Contributions With Donor Restrictions	639,281	497,960	(141,321) (2)
Campus Programs Without Donor Restrictions	16,689	36,376	19,687
Campus Programs With Donor Restrictions	19,687	-	(19,687) (2)
Net Assets Released from Restrictions	576,727	445,933	(130,794)
Change in Net Assets Without Donor Restrictions	167,280	197,494	30,214
Change in Net Assets With Donor Restrictions	157,756	127,542	(30,214)

(1) Gifts identified with restrictions that were actually without restriction cumulative.

(2) Gifts identified with restrictions that were actually without restriction for fiscal year ended June 30, 2019

IRVINE VALLEY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 RELATED PARTIES

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of Foundation directors and staff. Additionally, the District pays professional fees for services rendered on behalf of the Foundation. The donated services and professional fees for the fiscal year ended June 30, 2020 were valued at \$787,986 and \$28,292, respectively. The donated services and professional fees for the fiscal year ended June 30, 2019 were valued at \$727,762 and \$22,014, respectively. These amounts have been reflected in the financial statements as donated services and professional fees revenues and expenses.

NOTE 11 RISKS AND UNCERTAINTIES

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

In early 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its 2021 operations and financial results, including restrictions on the Foundation activities by the governor, additional costs to the Foundation's operations, and potential loss of revenue due to reduction in certain revenue streams. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 12 SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through November 4, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

