

**THE FOUNDATION FOR THE LOS ANGELES
COMMUNITY COLLEGES
(A California Nonprofit Corporation)**

AUDITED FINANCIAL STATEMENTS

**For the Fiscal Years Ended
June 30, 2017 and 2016**

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
(A California Nonprofit Corporation)

Audited Financial Statements
For the Fiscal Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
The Foundation for Los Angeles Community Colleges
770 Wilshire Blvd., 8th Floor
Los Angeles, CA 90017

We have audited the accompanying financial statements of The Foundation for Los Angeles Community Colleges (a California nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 for Los Angeles Community Colleges as of June 30, 2017 and 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Anderson, Satuloff,
Machado & Mendelsohn*

**ANDERSON, SATULOFF,
MACHADO & MENDELSON**
Certified Public Accountants
An Accountancy Corporation

March 28, 2018

Woodland Hills, California

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES

(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Current Assets:			
Cash (Note 1 and 3)	\$ 902,878	\$ 681,918	\$ 220,960
Pledges receivable (Note 4)	<u>-</u>	<u>252,500</u>	<u>(252,500)</u>
Total current assets	<u>902,878</u>	<u>934,418</u>	<u>(31,540)</u>
Non-Current Assets:			
Pledges receivable (Note 4)	1,359,249	1,327,127	32,122
Art work	<u>92,350</u>	<u>-</u>	<u>92,350</u>
Total non-current assets	<u>1,451,599</u>	<u>1,327,127</u>	<u>124,472</u>
Total assets	<u>\$ 2,354,477</u>	<u>\$ 2,261,545</u>	<u>\$ 92,932</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$ 10,443	\$ 14,445	\$ (4,002)
Accounts payable - related party	<u>12,630</u>	<u>8,612</u>	<u>4,018</u>
Total current liabilities	<u>23,073</u>	<u>23,057</u>	<u>16</u>
Total liabilities	<u>23,073</u>	<u>23,057</u>	<u>16</u>
Net Assets:			
Temporarily restricted (Note 2)	2,150,461	2,034,998	115,463
Unrestricted	<u>180,943</u>	<u>203,490</u>	<u>(22,547)</u>
Total net assets	<u>2,331,404</u>	<u>2,238,488</u>	<u>92,916</u>
Total liabilities and net assets	<u>\$ 2,354,477</u>	<u>\$ 2,261,545</u>	<u>\$ 92,932</u>

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
(A California Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
For The Fiscal Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Unrestricted Net Assets:			
Revenues and other support:			
Grants and contributions	\$ 26,106	\$ 76,587	\$ (50,481)
In-kind contribution (Note 5)	50,000	50,000	-
Program revenue:			
Scholarships	-	4,500	204,205
Other revenue:			
Miscellaneous revenue	570	2,539	(1,969)
Interest income	32,301	189	32,112
Total unrestricted revenues	108,977	133,815	(24,838)
Net assets released from restrictions	194,592	325	194,267
Total unrestricted revenues	<u>303,569</u>	<u>134,140</u>	<u>169,429</u>
Expenses:			
Program	235,090	68,060	167,030
Management and administration	77,671	65,997	11,674
Fundraising	13,355	-	13,355
Total unrestricted expenses	<u>326,116</u>	<u>134,057</u>	<u>192,059</u>
Total increase (decrease) in unrestricted net assets	<u>(22,547)</u>	<u>83</u>	<u>(22,630)</u>
Temporarily Restricted Net Assets:			
Scholarships	208,705	40,130	168,575
Gift pledged	-	1,802,127	(1,802,127)
In-kind donations	92,350	-	92,350
Other programs	9,000	31,028	(22,028)
Net assets released from restrictions	<u>(194,592)</u>	<u>(325)</u>	<u>(194,267)</u>
Total increase (decrease) in temporarily Restricted net asset	<u>115,463</u>	<u>1,872,960</u>	<u>(1,757,497)</u>
Total increase (decrease) in net assets	92,916	1,873,043	(1,780,127)
Net assets at beginning of year	<u>2,238,488</u>	<u>365,445</u>	<u>1,873,043</u>
Net assets at end of year	<u>\$ 2,331,404</u>	<u>\$ 2,238,488</u>	<u>\$ 92,916</u>

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES

(A California Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

For The Fiscal Year Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 92,916	\$ 1,873,043
Noncash (income) expense included in net assets:		
Artwork donation received	(92,350)	-
Amortization of discount on pledges	(32,122)	-
Changes in:		
Receivables	252,500	(1,577,971)
Accounts payable	16	20,948
Net cash provided (used) by operating activities	<u>220,960</u>	<u>316,020</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	220,960	316,020
Cash, beginning of year	<u>681,918</u>	<u>365,898</u>
Cash, end of year	<u>\$ 902,878</u>	<u>\$ 681,918</u>

Supplemental schedule of non-cash investing and financing activities:

	\$ -	\$ -
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Supplemental disclosures for:

Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for tax	\$ -	\$ -

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
(A California Nonprofit Corporation)
Notes to These Audited Financial Statements
June 30, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose: The Foundation for the Los Angeles Community College (the Foundation) is a non-profit corporation organized under the California Nonprofit Public Benefit Corporation Law for charitable and educational purposes for community college auxiliary organizations. The Foundation was established in 1987 to support and serve the Los Angeles Community College District (the District). The support includes promoting the District, receiving property and gifts for the benefit of the District, establishment of scholarships, support for alumni activities, and the enhancement of the District through public relations outreach programs. The foundation is financially supported by the District, donor contributions, grants, and fundraising activities.

Date of Management's Review: Management has evaluated subsequent events through March 28, 2018, the date on which the financial statements were available to be issued.

Basis of Accounting: The financial statements of the Foundation are prepared on accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue Recognition: Grants and contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in either permanently restricted net assets or temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Tax: The Foundation for the Los Angeles Community Colleges is a tax-exempt California nonprofit Corporation as described in Section 501(c)(3) of the Internal Revenue Code.

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: The Foundation considers all highly liquid investments with an original or remaining maturity of one year or less at the date of purchase to be cash equivalents.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
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June 30, 2017 and 2016

Pledges Receivable: The Foundation recognizes and reports unconditional promises to give at fair value using an income approach to calculate the present value of the expected cash flows. The Foundation uses U.S Treasury note rate as discount factor.

Net Assets: The Foundation's net assets and changes therein are classified and reported as:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by the Foundation and/or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purpose.

All grants/contributions are considered to be unrestricted unless specifically restricted by the donor. All donor-restricted grant/contributions made in the year ended June 30, 2017 and 2016, whose restrictions have been met in these periods, are included in the statements of activities as unrestricted revenue.

The Foundation's policy, for any expense to be incurred for which both unrestricted and restricted resources are available, is to first apply and exhaust restricted resources to satisfy the expense, and then apply unrestricted resources towards that expense.

Non-Cash Donations: Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Several volunteers provided a variety of services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. However, the Foundation recognizes the executive director's service as contribution from the District.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and/or cash contributed for specifically acquiring property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
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expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. For the fiscal year ended June 30, 2017, the Foundation received donated artwork with an appraised valued of \$92,350.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services.

Recent Accounting Pronouncement: In August 2016, the Financial Standard Board (FASB) issued an update to the Accounting Standards Codification (ASC) that modifies current reporting requirements for not-for-profit entities in an effort to make the information meaningful to users. The Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, changes the financial reporting and disclosure of net assets for not-for-profit organizations. ASU No. 2016-14 will be effective for the Foundation during the fiscal year ending June 30, 2019, early adoption is permitted and to be applied retrospectively.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update provides guidance on presentation of restricted cash and restricted cash equivalents in the statements of cash flows. ASU No. 2016-18 will be effective for the Foundation during the fiscal year ending June 30, 2019, early adoption is permitted and to be applied using a retrospective transition method to each reporting period.

The Foundation is currently evaluating the effect of these changes to its financial statements.

NOTE 2: RESTRICTED NET ASSETS

Temporarily restricted net assets that include cash and receivables are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Scholarships	\$ 313,796	\$ 104,540
Artwork for East LA College	14,500	-
Artwork for West LA College	77,850	-
Other Programs	<u>1,744,316</u>	<u>1,930,458</u>
Total	<u>\$ 2,150,462</u>	<u>\$ 2,034,998</u>

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
 (A California Nonprofit Corporation)
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 June 30, 2017 and 2016

The Foundation used to account for each temporarily restricted scholarship contribution separately by its source even if the donors do not specifically have that requirement. During the fiscal year ended on June 30, 2017, the board approved to combine these net asset balances from the individual sources under one name – LA College Promise. The combined and renamed net asset balances were from the following sources:

Source of Donation	Amount
City National Bank	\$ 23,492
LACC Foundation	29,791
Association of Calif. Community Colleges Admin.	500
Chancellor's Investiture	1,000
Felthouse	2,669
Gilbert	25,000
Latina Network	500
	\$ 82,952

There were no permanently restricted assets at June 30, 2017 and 2016.

NOTE 3: CONCENTRATIONS

The Foundation places its temporary cash investments with two financial institutions. At times, such investments may be in excess of \$250,000 - the Federal Deposit Insurance Corporation's insurance limit.

A hundred percent of the total pledges receivable at June 30, 2017 is a contribution from a single donor.

NOTE 4: PLEDGES RECEIVABLE

For fiscal years ending June 30, 2017 and 2016, the discount rates used to calculate the present value is 2.89 percent and 2.67 percent, respectively. The rates comprise of 1.89 percent of the five-year Treasury Note plus 1 percent risk rate at June 30, 2017 and 1.67 percent of the ten-year Treasury Note rate at June 30, 2016, plus 1 percent risk rate. The Foundation reported \$32,122 of amortized discount as interest revenue on pledges receivables for the fiscal year ending June 30, 2017. No amortized discount for fiscal year ending June 30, 2016, which was the first year the discount was calculated on pledges receivables.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
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Notes to These Audited Financial Statements
June 30, 2017 and 2016

Pledges receivable at June 30, 2017 and 2016 consist of the following:

	2017	2016
Restricted for nursing program	\$ 1,500,000	\$ 1,750,000
Restricted for scholarships	-	2,500
	1,500,000	1,752,500
Less: Unamortized discount	(140,751)	(172,873)
	1,359,249	1,579,627
Amount due in less than one year	250,000	252,500
Amount due in one to five years	1,250,000	1,250,000
Amount due in more than five years	-	250,000
	\$ 1,500,000	\$ 1,752,500

The management has evaluated the receivables and no allowance for uncollectible was established after taking into consideration the creditworthiness of the donor.

NOTE 5: RELATED PARTY TRANSACTIONS

1. The foundation acts as an auxiliary entity to the District. In exchange for the services the District receives from the Foundation, the District provides all necessary and appropriate support such as staff, office space, and related like-kind operational necessities to the Foundation. Thus, the Foundation uses the District's offices and employees to accomplish its goals.

For the fiscal years ended June 30, 2017 and 2016, the Foundation recognized the services of the Executive Director as in-kind donation of \$50,000 from the District.

No amounts were ascribed for the use of District's offices, equipment, supplies, and other personnel services for the fiscal years ended June 30, 2017 and 2016.

2. The Foundation provides fiscal management for a pool of funds from members of the District's Cabinet and the Board of Trustees. The members contribute the funds to cover their respective meeting expenses. The Foundation pays for the approved expenses as they are incurred.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
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Notes to These Audited Financial Statements
June 30, 2017 and 2016

Since the Foundation acts as an agent for the District employees, no income or expense is recognized from these transactions. The funds received are reported as payable and the balance is reduced as the Foundation pays for approved expenses of the Cabinet and Board of Trustees. Total transaction activities for fiscal year ended June 30, 2017 and 2016 were as follows:

	2017	2016
Beginning payable balance from the pool	\$ 8,612	\$ 5,857
Additional contributions	14,350	13,600
Less expenses incurred	(10,332)	(10,845)
Balance at the end of the year	\$ 12,630	\$ 8,612

NOTE 6: FAIR VALUE MEASUREMENT

The Foundation reports pledges receivable at fair value, which represent the net present value of the expected cash flow.

Assets and liabilities reported at fair value are categorized as follows in the fair value hierarchy:

- Level 1 inputs consist of unadjusted quoted prices of assets and liabilities in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs are unobservable, supported by little or no market activity and have the lowest priority.

Pledges receivable are under Level 2 of fair value measurement based on valuation technique that uses observable inputs.

NOTE 6: CONTINGENCIES

The Foundation receives funds for specific purposes that might be subject to review or audit by the grantor agencies. Although such reviews or audits could generate expenditure disallowances under the terms of the grants, the management believes that any required reimbursements will not be material.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
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Notes to These Audited Financial Statements
June 30, 2017 and 2016

NOTE 7: OPEN TAX YEARS

The Foundation's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2015, 2016, and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Furthermore, The Organization's Form 199, *California Exempt Organization Annual Information Return*, for tax years ended June 30, 2014, 2015, 2016, and 2017, are subject to examination by California Franchise Tax Board, generally for four years after they were filed.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES

(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

For Fiscal Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management & Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Accounting and auditing	\$ -	\$ 10,736	\$ -	\$ 10,736
Bank charges	556	50	-	606
Contributions	4,600	-	-	4,600
Dues and subscriptions	-	125	4,491	4,616
Educational materials	22,074	-	-	22,074
Insurance	-	1,160	-	1,160
Legal and professional	3,000	8,984	-	11,984
Lobbying	8,000	-	-	8,000
Management fees	-	50,000	-	50,000
Meetings	7,240	606	2,500	10,346
Meals and entertainment	5,880	4,725	4,827	15,432
Miscellaneous	-	310	238	548
Outside services	17,650	207	650	18,507
Parking	97	122	261	480
Scholarships offered	158,950	-	-	158,950
Supplies	150	535	-	685
Taxes and license	-	111	-	111
Travel and transportation	322	-	388	710
Utilities	6,571	-	-	6,571
Total expenses	<u>\$ 235,090</u>	<u>\$ 77,671</u>	<u>\$ 13,355</u>	<u>\$ 326,116</u>

See accompanying independent auditors' report.

THE FOUNDATION FOR THE LOS ANGELES COMMUNITY COLLEGES
(A California Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
For Fiscal Year Ended June 30, 2016

	Program Services	Management & Administration	Total Expenses
Accounting and auditing	\$ -	\$ 6,300	\$ 6,300
Insurance	1,150	-	1,150
Legal and professional	1,482	-	1,482
Management fees	-	50,000	50,000
Meetings	25,397	-	25,397
Miscellaneous	721	-	721
Other programs	28,200	-	28,200
Outside services	-	9,697	9,697
Scholarships offered	5,000	-	5,000
Supplies	4,481	-	4,481
Taxes and license	134	-	134
Utilities	1,495	-	1,495
Total expenses	\$ 68,060	\$ 65,997	\$ 134,057

See accompanying independent auditors' report.