

**The Foundation of City
College of San Francisco**

Financial Statements

June 30, 2015 and 2014



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Foundation of City College of San Francisco
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of The Foundation of City College of San Francisco (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows 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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 auditor 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 of City College of San Francisco as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Armanino LLP
Armanino^{LLP}
San Francisco, California

December 8, 2015

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
 Statements of Financial Position
 June 30, 2015 and 2014

ASSETS

| | 2015 | 2014 |
|-----------------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 2,287,636 | \$ 2,745,906 |
| Promises to give, net | 580,354 | 644,772 |
| Prepaid expenses and other assets | 14,237 | 13,870 |
| Investments | 14,784,301 | 14,464,691 |
| Property and equipment, net | 73 | 286 |
| Total assets | \$ 17,666,601 | \$ 17,869,525 |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------|---------------|
| Liabilities | | |
| Accounts payable | \$ 18,344 | \$ 10,252 |
| Grant payable | 350,000 | 350,000 |
| Total liabilities | 368,344 | 360,252 |
| Net assets | | |
| Unrestricted | 218,497 | 125,849 |
| Temporarily restricted | 11,932,059 | 12,235,723 |
| Permanently restricted | 5,147,701 | 5,147,701 |
| Total net assets | 17,298,257 | 17,509,273 |
| Total liabilities and net assets | \$ 17,666,601 | \$ 17,869,525 |

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

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
 Statements of Activities
 For the Years Ended June 30, 2015 and 2014

| | 2015 | | | | 2014 | | | |
|--|-------------------|---------------------------|---------------------------|----------------------|-------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Support and revenue | | | | | | | | |
| Contributions | \$ 110,642 | \$ 992,454 | \$ - | \$ 1,103,096 | \$ 80,878 | \$ 750,671 | \$ - | \$ 831,549 |
| Investment income, net | 158 | 218,189 | - | 218,347 | 326 | 2,200,762 | - | 2,201,088 |
| Fiscal agent fees | 102,383 | - | - | 102,383 | 92,809 | - | - | 92,809 |
| Other income | 18,976 | - | - | 18,976 | 1,183 | - | - | 1,183 |
| Redesignation of funds | - | - | - | - | - | (352,227) | 352,227 | - |
| Net assets released from restrictions | <u>1,514,307</u> | <u>(1,514,307)</u> | <u>-</u> | <u>-</u> | <u>1,837,773</u> | <u>(1,837,773)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>1,746,466</u> | <u>(303,664)</u> | <u>-</u> | <u>1,442,802</u> | <u>2,012,969</u> | <u>761,433</u> | <u>352,227</u> | <u>3,126,629</u> |
| Expenses | | | | | | | | |
| Program | 1,435,030 | - | - | 1,435,030 | 1,752,923 | - | - | 1,752,923 |
| Management and general | 128,343 | - | - | 128,343 | 98,099 | - | - | 98,099 |
| Fundraising | <u>90,445</u> | <u>-</u> | <u>-</u> | <u>90,445</u> | <u>99,647</u> | <u>-</u> | <u>-</u> | <u>99,647</u> |
| Total expenses | <u>1,653,818</u> | <u>-</u> | <u>-</u> | <u>1,653,818</u> | <u>1,950,669</u> | <u>-</u> | <u>-</u> | <u>1,950,669</u> |
| Change in net assets | 92,648 | (303,664) | - | (211,016) | 62,300 | 761,433 | 352,227 | 1,175,960 |
| Net assets at beginning of year | <u>125,849</u> | <u>12,235,723</u> | <u>5,147,701</u> | <u>17,509,273</u> | <u>63,549</u> | <u>11,474,290</u> | <u>4,795,474</u> | <u>16,333,313</u> |
| Net assets at end of year | <u>\$ 218,497</u> | <u>\$ 11,932,059</u> | <u>\$ 5,147,701</u> | <u>\$ 17,298,257</u> | <u>\$ 125,849</u> | <u>\$ 12,235,723</u> | <u>\$ 5,147,701</u> | <u>\$ 17,509,273</u> |

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

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
 Statements of Functional Expenses
 For the Years Ended June 30, 2015 and 2014

| | 2015 | | | | 2014 | | | |
|---|----------------------------|---------------------------|-------------------------|----------------------------|----------------------------|---------------------------|-------------------------|----------------------------|
| | Program | Management and General | Fundraising | Total | Program | Management and General | Fundraising | Total |
| Grants to City College of San Francisco | \$ 1,434,992 | \$ - | \$ - | \$ 1,434,992 | \$ 1,527,850 | \$ - | \$ - | \$ 1,527,850 |
| Special events | - | - | 83,664 | 83,664 | - | - | 85,223 | 85,223 |
| Professional fees | - | 85,789 | - | 85,789 | - | 74,651 | - | 74,651 |
| Depreciation | 38 | 102 | 73 | 213 | 73 | 190 | 138 | 401 |
| Insurance | - | 3,618 | - | 3,618 | - | 3,510 | - | 3,510 |
| Legal fees | - | 2,690 | - | 2,690 | - | 4,449 | - | 4,449 |
| Miscellaneous | - | 11,253 | 6,708 | 17,961 | - | 9,607 | 6,389 | 15,996 |
| Bad debt expense | - | - | - | - | 225,000 | - | - | 225,000 |
| Other consulting fees | - | 18,519 | - | 18,519 | - | 87 | 7,897 | 7,984 |
| Software license fee | - | 5,460 | - | 5,460 | - | 5,460 | - | 5,460 |
| Travel and conferences | - | 912 | - | 912 | - | 145 | - | 145 |
| Total expenses | <u>\$ 1,435,030</u> | <u>\$ 128,343</u> | <u>\$ 90,445</u> | <u>\$ 1,653,818</u> | <u>\$ 1,752,923</u> | <u>\$ 98,099</u> | <u>\$ 99,647</u> | <u>\$ 1,950,669</u> |

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

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (211,016) | \$ 1,175,960 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization expense | 213 | 401 |
| Realized and unrealized losses (gains) on investments, net | 118,780 | (1,747,858) |
| Proceeds from immediate sale of donated stock | 5,302 | - |
| Donated stock | (5,043) | - |
| Changes in operating assets and liabilities | | |
| Promises to give | 64,418 | 320,450 |
| Investment income receivable | - | 6,008 |
| Prepaid expenses and other assets | (367) | (463) |
| Accounts payable | 8,092 | 7,752 |
| Grant payable | <u>-</u> | <u>350,000</u> |
| Net cash provided by (used in) operating activities | <u>(19,621)</u> | <u>112,250</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of marketable securities | - | 16,541,396 |
| Purchase of marketable securities | <u>(438,649)</u> | <u>(14,663,175)</u> |
| Net cash provided by (used in) investing activities | <u>(438,649)</u> | <u>1,878,221</u> |
| Net increase (decrease) in cash and cash equivalents | (458,270) | 1,990,471 |
| Cash and cash equivalents at beginning of year | <u>2,745,906</u> | <u>755,435</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,287,636</u> | <u>\$ 2,745,906</u> |

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

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO

Notes to Financial Statements

June 30, 2015 and 2014

1. Organization

The Foundation of the City College of San Francisco (the "Foundation") is a nonprofit organization founded in 1969 for the purpose of providing support to the San Francisco Community College District (the "District") programs and services. The programs of the Foundation provide administration for scholarships and internships for students, educational equipment for classrooms, new educational programs, and capital improvements throughout the District.

In July 2014, the Accrediting Commission for Community and Junior Colleges ("ACCJC") announced its preliminary decision to terminate City College of San Francisco's accreditation, effective July 31, 2014. ACCJC's decision, however, is not final. The City College of San Francisco remains open and accredited while pursuing several avenues of restoration of accreditation. The City College of San Francisco is currently on restoration status. Under restoration status, the City College of San Francisco has two years to demonstrate that it fully meets all ACCJC standards. Students now enrolled at City College will have their credits count toward degrees, certificates and transfer, and there is no change to financial aid eligibility or availability. The Foundation has continued providing support for the District's programs and services.

2. Summary of Significant Accounting Policies

Basis of accounting

The financial statements are presented on the accrual basis of accounting.

Net assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted assets, and permanently restricted net assets:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

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

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Revenue recognition

Contributions are recognized at fair value when the donor/grantor makes an unconditional promise to give to the Foundation. Contributions that are restricted by the donor/grantor 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 and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents

The Foundation considers all unrestricted highly liquid investments with original maturity of three months or less to be cash equivalents.

Promises to give

Unconditional pledges and contributions receivable are reported at fair value and recorded in the period pledged or received. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved and the period of time over which the contributions are expected to be collected.

Receivables are reviewed by management for collectability and an allowance for doubtful accounts is established when needed. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables at the end of the year. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. Management believes that all of its accounts are collectible; accordingly, no allowance for doubtful accounts is recorded at June 30, 2015 and 2014.

Fixed assets

Fixed assets in excess of \$1,000 and with an estimated useful life in excess of one year are capitalized at cost; donated assets are capitalized at the fair market value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between five and ten years. Repairs and maintenance are charged to expense as incurred. Property and equipment at June 30, 2015 and 2014 consisted of computer equipment. Depreciation expense amounted to \$213 and \$401 for the years ended June 30, 2015 and 2014, respectively.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

In-kind services

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Foundation.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities and foreign equity assets at their fair values in the statement of financial position. Marketable securities that are held principally for the purpose of selling them in the near term are classified as trading securities and are carried at fair value, with unrealized gains or losses credited or charged to current earnings. Management determines the appropriate classification of its investments at the time of purchase and reevaluates such determination at each statement of financial position date.

Fair value

The Foundation is required to disclose estimated fair values of its financial instruments. The fair value estimates presented herein are based on relevant information available to management as of June 30, 2015 and 2014. Because the reporting requirements exclude certain financial instruments and all non-financial instruments the aggregate fair value amounts presented herein do not represent management's estimate of the underlying value of the Foundation.

The Foundation's financial instruments consist principally of cash and cash equivalents, accrued receivables, investments, prepaid expenses and other assets, accounts payable, accrued liabilities and grant payable. The Foundation believes all of the financial instruments' recorded values approximate fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). The Foundation uses a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an entity's view of market assumptions in the absence of observable market information.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Fair value (continued)

The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets that are accessible to the Foundation for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. The Foundation's Level 1 assets and liabilities include exchange traded equities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable and other observable inputs.

Level 3: Fair value is based on significant unobservable inputs which reflect the entity's or third party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on non-binding broker prices or internally developed valuation models or methodologies, discounted cash flow models and other similar techniques.

Functional allocation of expenses

Expenses are charged to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

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. Significant estimates include the estimated value of promises to give, functional allocation of expense, temporarily restricted net assets and fair market value of investments. Accordingly, actual results could differ from those estimates.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Reclassification

Certain 2014 amounts have been reclassified to conform to the 2015 financial statement presentation.

Subsequent events

The Foundation has evaluated subsequent events through December 8, 2015, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

3. Investments

Investments at June 30, 2015 and 2014 consisted of the following:

| | <u>2015</u> | | <u>2014</u> | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Equities | \$12,736,577 | \$13,419,093 | \$12,334,648 | \$13,033,680 |
| Foreign equity assets | <u>1,411,223</u> | <u>1,365,208</u> | <u>1,374,505</u> | <u>1,431,011</u> |
| | <u>\$14,147,800</u> | <u>\$14,784,301</u> | <u>\$13,709,153</u> | <u>\$14,464,691</u> |

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|--------------------|
| Unrestricted | | |
| Interest and dividend income | \$ 158 | \$ 326 |
| | <u>158</u> | <u>326</u> |
| Temporarily restricted | | |
| Interest and dividend income | 336,969 | 473,260 |
| Net realized and unrealized gains (losses) | (118,780) | 1,747,858 |
| Less: management fees | <u>-</u> | <u>(20,356)</u> |
| | <u>218,189</u> | <u>2,200,762</u> |
| Total investment income | <u>\$218,347</u> | <u>\$2,201,088</u> |

Net realized gains for the years ended June 30, 2015 and 2014 amounted to \$257 and \$3,188,209, respectively.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

4. Fair Value

The following table sets forth the Foundation's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2015 and 2014:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>2015</u> |
|-----------------------|---------------------|----------------|----------------|---------------------|
| Equities | \$13,419,093 | \$ - | \$ - | \$13,419,093 |
| Foreign equity assets | <u>1,365,208</u> | <u>-</u> | <u>-</u> | <u>1,365,208</u> |
| | <u>\$14,784,301</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$14,784,301</u> |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>2014</u> |
| Equities | \$13,033,680 | \$ - | \$ - | \$13,033,680 |
| Foreign equity assets | <u>1,431,011</u> | <u>-</u> | <u>-</u> | <u>1,431,011</u> |
| | <u>\$14,464,691</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$14,464,691</u> |

5. Promises to Give

Promises to give at June 30, 2015 consisted of the following:

| | |
|-------------------------------------|------------------|
| Amounts due in less than one year | \$198,452 |
| Amounts due in one to five years | 405,771 |
| Less discounts to net present value | <u>(23,869)</u> |
| | <u>\$580,354</u> |

Promises to give at June 30, 2014 consisted of the following:

| | |
|-------------------------------------|------------------|
| Amounts due in less than one year | \$185,629 |
| Amounts due in one to five years | 461,265 |
| Thereafter | 92,253 |
| Less discounts to net present value | <u>(94,375)</u> |
| | <u>\$644,772</u> |

Long-term promises to give are discounted using an interest rate of 3% based on the risks involved and the expected time of receipt.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO

Notes to Financial Statements

June 30, 2015 and 2014

6. Concentrations of Risk

The Foundation has identified its financial instruments which are potentially subject to market risk. These financial instruments consist principally of cash, investments and receivables. The Foundation invests its excess cash in cash deposits with various financial institutions which may be over the federally insured limit. Investments are diversified in order to limit market risk exposure. Receivable represents unsecured amounts due from various individuals. Concentration of credit risk is limited due to the large number of accounts comprising the balance.

7. Redesignation of Funds

The Foundation redesignated interest income of \$352,227 to permanently restricted net assets from temporarily restricted net assets under the terms of the donor's gift agreement which required that the funds to be spent for a specific purpose for the year ended June 30, 2014. There were no redesignation of interest income for the year ended June 30, 2015. Income not spent must be redesignated as permanently restricted net assets.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are available for the following purposes:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Orfalea Family Children Center | \$ 4,848,862 | \$ 5,145,992 |
| Osher Foundation | 2,991,048 | 3,151,654 |
| Alice Woo | 934,754 | 967,044 |
| Yvonne Stoupe Memorial Scholarship | 485,660 | 504,875 |
| Library - Cleasby | 430,713 | 431,610 |
| New Chinatown Campus and Program | 333,418 | 333,905 |
| Basic Skill Lunch | 200,113 | 111,073 |
| Gilbert Boyd Scholarship Fund | 184,621 | 196,662 |
| Sidney & Margaret Ancker Scholarship | 105,176 | 105,704 |
| Friends of the CCSF Library | 93,477 | 132,770 |
| City Choice Initiative | 100,000 | - |
| Hass Trustee Training | 80,817 | - |
| Chenming Hu Multimedia V | 54,173 | - |
| Evelyn N. Kerkhof Scholarship | 52,778 | - |
| Dan Allen Scholarship | 51,976 | - |
| Accreditation Support | - | 87,280 |
| General Fundraisers | - | 35,345 |
| Wells Fargo Math & Science Scholarship Fund | - | 26,743 |
| Educational Access TV | - | 13,723 |
| Save a Class Fund | - | 6,289 |
| Other | <u>984,473</u> | <u>985,054</u> |
| | <u>\$11,932,059</u> | <u>\$12,235,723</u> |

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

8. Temporarily Restricted Net Assets (continued)

Net assets released from restriction by incurring expenses were as follows for the years ended June 30:

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|
| Orfalea Family Children Center | \$ 350,000 | \$ 350,000 |
| Osher Foundation | 293,000 | 273,000 |
| Basic Skill Lunch | 250,372 | 249,143 |
| General Fundraisers | 236,245 | 337,190 |
| Accreditation Support | 53,807 | 222,720 |
| Yvonne Stoupe Memorial Scholarship | 50,000 | 40,000 |
| City College of San Francisco Team Football | 33,420 | 50,036 |
| Education Access TV | 126,824 | - |
| Friend of the City College of San Francisco Library | 42,234 | - |
| Save A Class Fund | - | 225,000 |
| City College of San Francisco Culinary Arts HOS | - | 26,390 |
| Wells Fargo Math Science Scholarship Fund | - | 22,724 |
| Other | <u>78,405</u> | <u>38,570</u> |
| | <u>\$1,514,307</u> | <u>\$1,837,773</u> |

9. Permanently Restricted Net Assets

Permanently restricted net assets are restricted for investment in perpetuity. The Foundation is permitted to use or expend part or all of the income (or other economic benefit) derived from the contribution.

Permanently restricted net assets at June 30, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| Osher Foundation | \$3,600,000 | \$3,600,000 |
| Yvonne Stoupe Memorial Scholarship | 1,072,022 | 1,072,022 |
| Sidney & Margaret Ancker Scholarship | 100,000 | 100,000 |
| Evelyn N. Kerkhof Scholarship | 50,000 | 50,000 |
| Audrey Zimmerman Scholarship | 25,000 | 25,000 |
| Carl & Brigitta Beetz Scholarship | 25,000 | 25,000 |
| Robert Liu French Faculty Development Fund | 20,201 | 20,201 |
| Dan Allen Scholarship | 20,000 | 20,000 |
| CompuCredit Aspire A Mas Scholarship | 20,000 | 20,000 |
| Math Department Faculty Scholarship | 19,010 | 19,010 |
| Other | <u>196,468</u> | <u>196,468</u> |
| | <u>\$5,147,701</u> | <u>\$5,147,701</u> |

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

10. Endowment Funds

The Foundation's endowment consists of forty-three funds, including donor-restricted funds established for a variety of purposes. Net assets associated with this endowment are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Board of Directors 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 classifies 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. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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 fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

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 Board of Directors requires the Foundation to retain as a fund of perpetual duration. There were no funds with a net deficiency of this nature as of June 30, 2015 and 2014.

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

10. Endowment Funds (continued)

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to preserve the purchasing power of the Endowment Fund and at the same time provide a regular and growing distribution of funds for the use of the Foundation, consistent with the terms of the Endowment Fund Distribution Policy and the terms governing each of the individual endowment funds. A balanced approach is to be taken between risk, preservation of capital, income and growth.

Strategies employed for achieving objectives

To satisfy its investment policy objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) on equity-based investments and current yield (interest and dividends) on fixed income investments. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its 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 an amount of 4% of a twelve quarter moving average of the fund's market value to the extent that capital gains, dividends and interest are enough to cover that distribution. The Board of Directors may request all, a portion, or none of the appropriation be distributed in accordance with the endowment fund's purpose as defined by the endowment agreement or applicable board resolution. Any portion of the distribution not appropriated by the Board shall be kept in the endowment fund, be governed by the endowment investment policy, and be available for future distribution in accordance with the distribution policy.

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Notes to Financial Statements
June 30, 2015 and 2014

10. Endowment Funds (continued)

Endowment net assets composition by type of fund as of June 30, 2015 are as follows:

| | Unrestricted Endowment <u>Fund</u> | Temporarily Restricted Endowment <u>Funds</u> | Permanently Restricted Endowment <u>Funds</u> | <u>Total</u> |
|---|--|--|--|--------------------|
| Osher Foundation | \$ - | \$2,991,048 | \$3,600,000 | \$6,591,048 |
| Yvonne Stoupe Memorial Scholarship | - | 196,178 | 1,072,022 | 1,268,200 |
| Sidney & Margaret Ancker Scholarship | - | 83,593 | 100,000 | 183,593 |
| Evelyn N. Kerkhof Scholarship | - | 46,863 | 50,000 | 96,863 |
| Audrey Zimmerman Scholarship | - | 31,315 | 25,000 | 56,315 |
| Dan Allen Scholarship | - | 29,631 | 20,000 | 49,631 |
| Carl & Brigitta Beetz Scholarship | - | 24,990 | 25,000 | 49,990 |
| Math Department Faculty Scholarship | - | 25,468 | 19,010 | 44,478 |
| Robert Liu French Faculty Development Fund | - | 17,968 | 20,201 | 38,169 |
| CompuCredit Aspire A Mas Scholarship | - | 17,780 | 20,000 | 37,780 |
| Other | - | 215,551 | 196,468 | 412,019 |
| | <u>\$ -</u> | <u>\$3,680,385</u> | <u>\$5,147,701</u> | <u>\$8,828,086</u> |

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

| | Unrestricted Endowment <u>Fund</u> | Temporarily Restricted Endowment <u>Funds</u> | Permanently Restricted Endowment <u>Funds</u> | <u>Total</u> |
|--|--|--|--|--------------------|
| Endowment net assets, beginning of year | \$ - | \$3,801,434 | \$5,147,701 | \$8,949,135 |
| Investment return | | | | |
| Investment income | - | 176,534 | - | 176,534 |
| Donor's redesignation to permanent funds | - | - | - | - |
| Appropriation of endowment funds for expenditures | - | (297,583) | - | (297,583) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$3,680,385</u> | <u>\$5,147,701</u> | <u>\$8,828,086</u> |

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

10. Endowment Funds (continued)

Endowment net assets composition by type of fund as of June 30, 2014 are as follows:

| | Unrestricted Endowment <u>Fund</u> | Temporarily Restricted Endowment <u>Funds</u> | Permanently Restricted Endowment <u>Funds</u> | <u>Total</u> |
|---|--|--|--|--------------------|
| Osher Foundation | \$ - | \$3,151,654 | \$3,600,000 | \$6,751,654 |
| Yvonne Stoupe Memorial Scholarship | - | 181,236 | 1,072,022 | 1,253,258 |
| Sidney & Margaret Ancker Scholarship | - | 78,119 | 100,000 | 178,119 |
| Evelyn N. Kerkhof Scholarship | - | 44,563 | 50,000 | 94,563 |
| Audrey Zimmerman Scholarship | - | 29,249 | 25,000 | 54,249 |
| Carl & Brigitta Beetz Scholarship | - | 23,044 | 25,000 | 48,044 |
| Dan Allen Scholarship | - | 29,870 | 20,000 | 49,870 |
| Math Department Faculty Scholarship | - | 24,116 | 19,010 | 43,126 |
| CompuCredit Aspire A Mas Scholarship | - | 17,065 | 20,000 | 37,065 |
| Robert Liu French Faculty Development Fund | - | 17,246 | 20,201 | 37,447 |
| Other | - | 205,272 | 196,468 | 401,740 |
| | <u>\$ -</u> | <u>\$3,801,434</u> | <u>\$5,147,701</u> | <u>\$8,949,135</u> |

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

| | Unrestricted Endowment <u>Fund</u> | Temporarily Restricted Endowment <u>Funds</u> | Permanently Restricted Endowment <u>Funds</u> | <u>Total</u> |
|--|--|--|--|--------------------|
| Endowment net assets, beginning of year | \$ - | \$3,090,627 | \$4,795,474 | \$7,886,101 |
| Investment return | | | | |
| Investment income | - | 1,179,507 | - | 1,179,507 |
| Donor's redesignation to permanent funds | - | (264,723) | 352,227 | 87,504 |
| Appropriation of endowment funds for expenditures | - | (203,977) | - | (203,977) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$3,801,434</u> | <u>\$5,147,701</u> | <u>\$8,949,135</u> |

THE FOUNDATION OF CITY COLLEGE OF SAN FRANCISCO
Notes to Financial Statements
June 30, 2015 and 2014

11. Related Party Transactions

The Foundation disbursed total grants of \$1,434,992 and \$1,527,850 to the District in the years ended June 30, 2015 and 2014, respectively.

The Foundation received \$106,543 and \$56,250 in contributions from board members for the years ended June 30, 2015 and 2014, respectively.

12. Tax Status

The Foundation is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the U.S Internal Revenue Code (the Code), and contributions to it are tax deductible as prescribed by the Code. The Foundation is also exempt from California income tax under Section 23701d of Revenue and Taxation Code.

The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

The Foundation has evaluated its current tax positions and concluded that as of June 30, 2015 and 2014, the Foundation does not have any uncertain tax positions for which a reserve would be necessary.

13. Commitments and Contingencies

In the ordinary course of conducting its business, the Foundation may be subjected to loss contingencies arising from general business matters or lawsuits. Management believes that the outcome of such matters, if any, will not have a material impact on the Foundation's financial position or results of future operations.