

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

Financial Statements

June 30, 2019 and 2018



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Foundation of the City College of San Francisco (a California nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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 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 of the City College of San Francisco as of June 30, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

April 1, 2020

The Foundation of the City College of San Francisco
 Statements of Financial Position
 June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 320,398	\$ 955,823
Promises to give, net	140,508	237,086
Prepaid expenses and other assets	19,513	1,805
Cash held for endowment	2,000,000	-
Investments	20,431,545	19,033,904
Property and equipment, net	718	957
Total assets	\$ 22,912,682	\$ 20,229,575
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 350,000	\$ 354,678
Total liabilities	350,000	354,678
Net assets		
Without donor restrictions	681,675	568,219
With donor restrictions	21,881,007	19,306,678
Total net assets	22,562,682	19,874,897
Total liabilities and net assets	\$ 22,912,682	\$ 20,229,575

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

The Foundation of the City College of San Francisco
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 77,552	\$ 3,204,480	\$ 3,282,032
Investment earnings, net	-	1,248,920	1,248,920
Fiscal agent fees	147,498	-	147,498
Net assets released from restrictions	<u>1,879,071</u>	<u>(1,879,071)</u>	<u>-</u>
Total support and revenue	<u>2,104,121</u>	<u>2,574,329</u>	<u>4,678,450</u>
Functional expenses			
Program services	<u>1,821,407</u>	<u>-</u>	<u>1,821,407</u>
Support services			
Management and general	89,863	-	89,863
Fundraising	<u>79,395</u>	<u>-</u>	<u>79,395</u>
Total support services	<u>169,258</u>	<u>-</u>	<u>169,258</u>
Total functional expenses	<u>1,990,665</u>	<u>-</u>	<u>1,990,665</u>
Change in net assets	113,456	2,574,329	2,687,785
Net assets, beginning of year	<u>568,219</u>	<u>19,306,678</u>	<u>19,874,897</u>
Net assets, end of year	<u>\$ 681,675</u>	<u>\$ 21,881,007</u>	<u>\$ 22,562,682</u>

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

The Foundation of the City College of San Francisco
Statement of Activities
For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions	\$ 132,642	\$ 1,841,915	\$ 1,974,557
Investment earnings, net	-	860,093	860,093
Fiscal agent fees	124,090	-	124,090
Other income	659	-	659
Net assets released from restrictions	<u>1,603,504</u>	<u>(1,603,504)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,860,895</u>	<u>1,098,504</u>	<u>2,959,399</u>
Functional expenses			
Program services	<u>1,547,110</u>	<u>-</u>	<u>1,547,110</u>
Support services			
Management and general	92,369	-	92,369
Fundraising	<u>75,678</u>	<u>-</u>	<u>75,678</u>
Total support services	<u>168,047</u>	<u>-</u>	<u>168,047</u>
Total functional expenses	<u>1,715,157</u>	<u>-</u>	<u>1,715,157</u>
Change in net assets	145,738	1,098,504	1,244,242
Net assets, beginning of year	<u>422,481</u>	<u>18,208,174</u>	<u>18,630,655</u>
Net assets, end of year	<u>\$ 568,219</u>	<u>\$ 19,306,678</u>	<u>\$ 19,874,897</u>

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

The Foundation of the City College of San Francisco
 Statements of Functional Expenses
 For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grants to City College of San Francisco	\$ 1,821,407	\$ -	\$ -	\$ 1,821,407	\$ 1,547,110	\$ -	\$ -	\$ 1,547,110
Special events	-	-	62,291	62,291	-	-	64,033	64,033
Professional fees	-	38,266	-	38,266	-	38,106	-	38,106
Depreciation	-	239	-	239	-	239	-	239
Insurance	-	4,239	-	4,239	-	3,789	-	3,789
Merchant fees	-	-	5,057	5,057	-	-	-	-
Legal fees	-	9,418	-	9,418	-	2,990	-	2,990
Miscellaneous	-	-	3,377	3,377	-	16,627	3,734	20,361
Other consulting fees	-	28,511	-	28,511	-	22,441	-	22,441
Software license fee	-	8,670	8,670	17,340	-	7,911	7,911	15,822
Travel and conferences	-	520	-	520	-	266	-	266
	<u>\$ 1,821,407</u>	<u>\$ 89,863</u>	<u>\$ 79,395</u>	<u>\$ 1,990,665</u>	<u>\$ 1,547,110</u>	<u>\$ 92,369</u>	<u>\$ 75,678</u>	<u>\$ 1,715,157</u>

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

The Foundation of the City College of San Francisco
 Statements of Cash Flows
 For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 2,687,785	\$ 1,244,242
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	239	239
Realized and unrealized gains on investments, net	(906,042)	(558,188)
Donated stock	(2,051)	(3,062)
Changes in operating assets and liabilities		
Promises to give, net	96,578	110,953
Prepaid expenses and other assets	(17,708)	6,835
Accounts payable	(4,678)	354,678
Net cash provided by operating activities	1,854,123	1,155,697
Cash flows from investing activities		
Proceeds from sale of marketable securities	30,653	29,812
Purchase of marketable securities	(520,201)	(455,542)
Net cash used in investing activities	(489,548)	(425,730)
Net increase in cash and cash equivalents	1,364,575	729,967
Cash and cash equivalents, beginning of year	955,823	225,856
Cash and cash equivalents and cash held for endowment, end of year	\$ 2,320,398	\$ 955,823

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

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

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's (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("GAAP") specific to non-profit organizations. The Foundation reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor 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, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, but are restricted until such funds are appropriated for expenditure by the Foundation. 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.

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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restrictions. Expirations 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 transfers between the applicable classes of net assets. Investment income (e.g. interest and dividends and realized and unrealized gains) with donor-imposed restrictions that are met in the same year as earned are also reported as net assets without donor restrictions

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Foundation considers all highly liquid investments with original maturity of three months or less to be cash equivalents. Cash on deposit usually exceeds federally insured limits. The Foundation believes that it mitigates this risk by maintaining deposits with major financial institutions.

Cash held for endowment primarily represents \$2,000,000 received from a donor in December 2018 that were not invested at June 30, 2019. In October 2019, these monies were transferred and were invested in accordance with the Foundation's investment policy.

Promises to give, net

Unconditional promise to give 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, 2019 and 2018.

Property and equipment

Property and equipment 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, 2019 and 2018 consisted of computer equipment. Depreciation expense amounted to \$239 for the years ended June 30, 2019 and 2018.

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. No such contributed services were received during the years ended June 30, 2019 and 2018.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities and foreign equity assets are reported 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 measurements

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 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.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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.

Income tax status

The Foundation is a not-for-profit organization, exempt from federal income tax under Section 501(c)(3) of the United States of America 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, 2019 and 2018, the Foundation does not have any uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with GAAP 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.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2018, with the option to omit the disclosures about liquidity and availability of resources for the prior year comparative period.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

3. INVESTMENTS

Investments consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 10,438,456	\$ 10,758,499	\$ 10,159,957	\$ 9,991,262
Domestic equities	5,066,914	7,245,188	4,940,457	6,631,053
Foreign equities	2,110,406	2,417,919	2,041,676	2,404,234
Money market fund	<u>9,939</u>	<u>9,939</u>	<u>7,355</u>	<u>7,355</u>
	<u>\$ 17,625,715</u>	<u>\$ 20,431,545</u>	<u>\$ 17,149,445</u>	<u>\$ 19,033,904</u>

Investment earnings, net with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 376,606	\$ 334,793
Net realized and unrealized gains	906,042	558,188
Investment management fees	<u>(33,728)</u>	<u>(32,888)</u>
	<u>\$ 1,248,920</u>	<u>\$ 860,093</u>

Net realized gains for the years ended June 30, 2019 and 2018 amounted to \$1,866 and \$172,639, respectively.

4. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income	\$ 10,758,499	\$ -	\$ -	\$ 10,758,499
Domestic equities	7,245,188	-	-	7,245,188
Foreign equities	2,417,919	-	-	2,417,919
Money market fund	<u>9,939</u>	<u>-</u>	<u>-</u>	<u>9,939</u>
	<u>\$ 20,431,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,431,545</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

4. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income	\$ 9,991,262	\$ -	\$ -	\$ 9,991,262
Domestic equities	6,631,053	-	-	6,631,053
Foreign equities	2,404,234	-	-	2,404,234
Money market fund	<u>7,355</u>	<u>-</u>	<u>-</u>	<u>7,355</u>
	<u>\$ 19,033,904</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,033,904</u>

5. PROMISES TO GIVE

Promises to give consist of the following:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 140,508	\$ 193,300
Amounts due in one to five years	-	45,771
Less discounts to net present value	<u>-</u>	<u>(1,985)</u>
	<u>\$ 140,508</u>	<u>\$ 237,086</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.

6. CONCENTRATIONS

The Foundation has identified its financial instruments which are potentially subject to market risk. These financial instruments consist principally of cash, investments and receivables. Investments are diversified in order to limit market risk exposure. Receivables represent unsecured amounts due from various individuals. Concentration of credit risk is limited due to the large number of accounts comprising the balance.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose and/or time:		
Orfalea Family Children Center	\$ 4,324,378	\$ 4,398,915
Alice Woo	1,047,274	1,003,077
Meyers Culinary	742,704	700,894
Library - Cleasby	499,026	473,803
Humiston Library	454,896	431,710
Basic Skill Lunch	443,440	324,931
New Chinatown Campus and Program	398,492	378,349
Yvonne Stoupr Memorial Scholarship	282,127	300,568
City College of San Francisco Culinary Arts and Hospitality	147,265	145,811
Gilbert Boyd Scholarship Fund	141,151	144,638
City Choice Initiative	100,000	100,000
Koret Repurpose Grant	95,600	95,600
Koret Enhanced Web Project	87,944	-
Hass Bridge to Success	75,881	76,000
Chenming Hu Multimedia V	62,765	59,593
Friends of the CCSF Library	46,237	78,888
Hass Trustee Training	37,719	78,786
Other	<u>1,302,408</u>	<u>1,320,468</u>
	<u>10,289,307</u>	<u>10,112,031</u>
Subject to spending policy and appropriation (including amounts held in perpetuity of \$7,175,735 and \$5,175,735 as of June 30, 2019 and 2018, respectively)		
Osher Foundation	6,821,406	6,648,214
Yvonne Stoupe Memorial Scholarship	1,603,496	1,489,733
Dunk and Clark Scholarships for Culinary Arts & Hospitality	1,042,699	-
Dunk and Clark Scholarships for Nursing	1,042,699	-
Sidney & Margaret Ancker Scholarship	210,592	200,432
Evelyn N. Kerkhof Scholarship	111,801	106,209
Audrey Zimmerman Scholarship	64,839	61,645
Dan Allen Scholarship	62,752	58,300
Carl & Brigitta Beetz Scholarship	56,102	54,254
Math Department Faculty Scholarship	50,400	48,102
Robert Liu French Faculty Development Fund	48,260	44,836
CompuCredit Aspire A Mas Scholarship	42,975	40,997
Other	<u>433,679</u>	<u>441,925</u>
	<u>11,591,700</u>	<u>9,194,647</u>
	<u>\$ 21,881,007</u>	<u>\$ 19,306,678</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

	2019	2018
Orfalea Family Children Center	\$ 350,000	\$ 350,000
Osher Foundation	319,196	319,000
General Fund	194,984	173,442
Basic Skill Lunch	176,777	211,768
Koret Scholars	100,000	99,000
City College of San Francisco Team Football	63,340	49,442
Koret Enhanced Web Project	53,535	-
Haas Bridge to Success	47,619	-
Haas Trustee Training	41,066	-
Friend of the CCSF Library	37,125	2,845
Gilbert Boyd Scholarship Fund	10,496	-
City College of San Francisco Culinary Arts and Hospitality	9,942	-
Education Access TV	-	32,718
Other	474,991	365,289
	\$ 1,879,071	\$ 1,603,504

8. ENDOWMENT

The Foundation's endowment consists of forty-five 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 Foundation's Board of Directors have interpreted 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 with donor restriction (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 to the fund. The remaining portion of the donor-restricted endowment fund is classified as with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

8. ENDOWMENT (continued)

Interpretation of relevant law (continued)

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 Foundation 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 Foundation
- (7) The investment policies of the Foundation

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 such deficiencies as of June 30, 2019 and 2018.

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) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its return objectives within prudent risk constraints.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

8. ENDOWMENT (continued)

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.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Osher Foundation	\$ -	\$ 6,821,406	\$ 6,821,406
Yvonne Stoupe Memorial Scholarship	-	1,603,496	1,603,496
Dunk and Clark Scholarships for Culinary Arts & Hospitality	-	1,042,699	1,042,699
Dunk and Clark Scholarships for Nursing	-	1,042,699	1,042,699
Sidney & Margaret Ancker Scholarship	-	210,592	210,592
Evelyn N. Kerkhof Scholarship	-	111,801	111,801
Audrey Zimmerman Scholarship	-	64,839	64,839
Dan Allen Scholarship	-	62,752	62,752
Carl & Brigitta Beetz Scholarship	-	56,102	56,102
Math Department Faculty Scholarship	-	50,400	50,400
Robert Liu French Faculty Development Fund	-	48,260	48,260
CompuCredit Aspire A Mas Scholarship	-	42,975	42,975
Other	-	433,679	433,679
	<u>\$ -</u>	<u>\$ 11,591,700</u>	<u>\$ 11,591,700</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

8. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Osher Foundation	\$ -	\$ 6,648,214	\$ 6,648,214
Yvonne Stoupe Memorial Scholarship	-	1,489,733	1,489,733
Sidney & Margaret Ancker Scholarship	-	200,432	200,432
Evelyn N. Kerkhof Scholarship	-	106,209	106,209
Audrey Zimmerman Scholarship	-	61,645	61,645
Carl & Brigitta Betz Scholarship	-	54,254	54,254
Robert Liu French Faculty Development Fund	-	44,836	44,836
Dan Allen Scholarship	-	58,300	58,300
CompuCredit Aspire A Mas Scholarship	-	40,997	40,997
Math Department Faculty Scholarship	-	48,102	48,102
Other	-	441,925	441,925
	<u>\$ -</u>	<u>\$ 9,194,647</u>	<u>\$ 9,194,647</u>

Changes in endowment net assets for the fiscal year ended June 30, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 9,194,647</u>	<u>\$ 9,194,647</u>
Investment return			
Investment income	-	795,938	795,938
Total investment return	-	795,938	795,938
Contributions	-	2,000,000	2,000,000
Appropriation of net assets	-	(398,885)	(398,885)
	<u>-</u>	<u>2,397,053</u>	<u>2,397,053</u>
Balance, June 30, 2019	<u>\$ -</u>	<u>\$ 11,591,700</u>	<u>\$ 11,591,700</u>

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

8. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2017	\$ -	\$ 9,012,989	\$ 9,012,989
Investment return			
Investment income	-	534,711	534,711
Total investment return	-	534,711	534,711
Appropriation of net assets	-	(353,053)	(353,053)
	-	181,658	181,658
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 9,194,647</u>	<u>\$ 9,194,647</u>

9. RELATED PARTY TRANSACTIONS

The Foundation disbursed total grants of \$1,821,410 and \$1,547,110 to the District in the years ended June 30, 2019 and 2018, respectively.

The Foundation received \$35,551 and \$44,812 in contributions from board members for the years ended June 30, 2019 and 2018, respectively.

10. 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.

11. LIQUIDITY AND FUNDS AVAILABLE

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Foundation of the City College of San Francisco
Notes to Financial Statements
June 30, 2019 and 2018

11. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets available within one year of June 30, 2019 to fund general expenditures and other obligations when they become due:

Financial assets:	
Cash and cash equivalents	\$ 2,320,398
Promise to give	140,508
Investments	<u>20,431,545</u>
	<u>22,892,451</u>
Less: amounts unavailable for general expenditures within one year:	
Net assets with donor restrictions	<u>(21,881,007)</u>
	<u>(21,881,007)</u>
	 <u><u>\$ 1,011,444</u></u>

12. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 1, 2020 the date which the financial statements were available to be issued. Other than as disclosed below, no other subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where the Foundation is headquartered, have declared a state of emergency.

Potential impacts to Foundation's operations include the fluctuation in investment balances due to the negative effect of this pandemic on the financial markets and the Foundation's donor base may also be affected in a variety of ways, potentially limiting the amount of contributions that might be received during this time. Any of the foregoing could harm the Foundation's operations and the ways in which health epidemics such as COVID-19 could adversely impact the business cannot be anticipated. Although the Foundation is continuing to monitor and assess the effects of the COVID-19 pandemic on their business, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.