Ventura College Foundation

Board of Directors

EXECUTIVE COMMITTEE MEETING

Monday, October 25, 2021 5:15-5:45pm

Zoom Meeting

AGENDA

5:15 p.m.	**CALL TO ORDER AND PUBLIC COMMENTS**	DEMBOWSKI
5:20 p.m.	**2020-21 AUDITED FINANCIAL STATEMENT AND LETTERS REVIEW & REPORT**	BUTLER/ BLASINGAME
5:35 p.m.	**VOTE TO ACCEPT THE RECOMMENDATION BY THE AUDIT COMMITTEE REGARDING THE 2020-21 AUDITED STATEMENT AND LETTERS**	DEMBOWSKI
5:40 p.m.	**OTHER BUSINESS**	ALL
5:45 p.m.	**ADJOURN**	DEMBOWSKI

VENTURA COLLEGE FOUNDATION
FINANCIAL STATEMENTS
JUNE 30, 2021

Decker, Farrell & McCoy, LLP
Certified Public Accountants

VENTURA COLLEGE FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

CONTENTS

Decker, Farrell & McCoy, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Litigation Specialists & Business Appraisers

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ventura College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Ventura College Foundation (a nonprofit organization) (the "Foundation") which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

400 West Ventura Boulevard Suite 245, Camarillo, California 93010 · (805) 910-1441 · FAX (805) 484-3595

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021, and the changes in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Ventura College Foundation June 30, 2020, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated September 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Decker, Farrell & McCoy, LLP

DECKER, FARRELL & MCCOY, LLP
Camarillo, California
October 20, 2021

VENTURA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	(Memo) Total 2020
ASSETS				
Cash and equivalents	$ 409,593	$ 561,420	$ 971,013	$ 478,764
Pledges and bequests receivable	12,447	409,204	421,651	7,555,610
Prepaid expenses and deposits	31,648	-	31,648	44,419
Property and equipment, net	39,248	-	39,248	10,944
Investments	1,239,078	27,844,761	29,083,839	18,031,913
FCCC scholarship endowment	666,240	999,617	1,665,857	1,373,659
Beneficial interest in remainder trust, net PV discount of $389,872	-	318,873	318,873	248,608
TOTAL ASSETS	$ 2,398,254	$ 30,133,875	$ 32,532,129	$ 27,743,917
LIABILITIES				
Accounts payable and accrued expenses	$ 130,376	$ -	$ 130,376	$ 141,846
Grants payable	-	-	-	27,203
Scholarships payable	682,737	-	682,737	750,023
Long term debt	32,174	-	32,174	-
Unfunded pension obligation	269,522	-	269,522	237,535
Unearned grant income	150,000	-	150,000	144,000
TOTAL LIABILITIES	1,264,809	-	1,264,809	1,300,607
NET ASSETS				
Without donor restrictions				
Undesignated net assets	1,033,445	-	1,033,445	724,947
Board designated net assets	100,000	-	100,000	100,000
Total net assets without donor restrictions	1,133,445	-	1,133,445	824,947
With donor restrictions	-	30,133,875	30,133,875	25,618,363
TOTAL NET ASSETS	1,133,445	30,133,875	31,267,320	26,443,310
TOTAL LIABILITIES AND NET ASSETS	$ 2,398,254	$ 30,133,875	$ 32,532,129	$ 27,743,917

See accompanying notes and auditors' report.

VENTURA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total	(Memo) Total 2020
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions, grants and bequests	$ 182,550	$ 813,884	$ 996,434	$ 1,628,571
Contributions, grants and bequests (in-kind)	93,190	92,023	185,213	204,080
Marketplace income	766,679	-	766,679	1,066,116
Net investment income	147,178	5,288,458	5,435,636	548,115
Change in value of beneficial interest in remainder trust	-	70,265	70,265	(6,018)
Other income	165,837	-	165,837	21,341
Net assets released from restrictions	1,749,118	(1,749,118)	-	-
Total Revenues, Gains, and Other Support	3,104,552	4,515,512	7,620,064	3,462,205
EXPENSES				
Program services	1,950,324	-	1,950,324	2,133,888
Management and general	156,547	-	156,547	128,892
Marketplace	455,309	-	455,309	490,338
Fundraising	233,874	-	233,874	301,033
Total Expenses	2,796,054	-	2,796,054	3,054,151
INCREASE IN NET ASSETS	308,498	4,515,512	4,824,010	408,054
NET ASSETS, BEGINNING OF YEAR	824,947	25,618,363	26,443,310	26,035,256
NET ASSETS, ENDING OF YEAR	$ 1,133,445	$ 30,133,875	$ 31,267,320	$ 26,443,310

See accompanying notes and auditors’ report.

VENTURA COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services							
	Scholarships	Promise, Campus Grants and Other	Total Program Services	Management and General	Marketplace	Development and Fundraising	Total Expense	(Memo) Total 2020
DIRECT PROGRAM EXPENSES								
Scholarships	$ 632,162	$ 12,000	$ 644,162	$ -	$ -	$ -	$ 644,162	$ 687,165
Grants	-	871,749	871,749	-	-	-	871,749	898,308
Total Direct Program Expenses	632,162	883,749	1,515,911	-	-	-	1,515,911	1,585,473
PAYROLL RELATED EXPENSES								
Salaries and wages	112,887	111,411	224,298	72,624	175,630	104,419	576,971	628,854
Payroll taxes	8,524	8,413	16,937	5,415	11,131	7,906	41,389	46,053
Benefits	44,792	44,797	89,589	22,203	32,179	47,127	191,098	216,034
Total Payroll Related Expenses	166,203	164,621	330,824	100,242	218,940	159,452	809,458	890,941
OPERATING EXPENSES								
Donor recognition	-	-	-	-	-	484	484	2,866
Schwab Estate defined expenses	-	-	-	-	-	-	-	39,178
Marketing	11,862	12,981	24,843	3,275	8,191	26,383	62,692	80,274
Legal and professional	4,070	4,000	8,070	28,670	-	11,820	48,560	62,439
Office supplies	-	-		3,208	277	920	4,405	-
Special events	4,083	-	4,083	-	-	817	4,900	11,920
Computer and software	12,763	3,440	16,203	-	4,080	6,881	27,164	18,697
Bank and merchant fees	-	60	60	280	4,477	696	5,513	7,111
Rent and maintenance	10,271	8,395	18,666	5,220	104,688	10,181	138,755	105,087
Trash and street sweeping	-	-	-	-	21,212	-	21,212	34,687
Security	-	-	-	-	32,500	-	32,500	49,423
Dues and subscriptions	-	10	10	-	-	5,139	5,149	2,375
Uncollectible pledges	8,547	16,247	24,794	-	-	5,001	29,795	43,265
Contributions	-	-	-	-	-	-	-	5,000
Insurance	3,100	3,089	6,189	9,060	33,067	3,300	51,616	56,189
Meetings, conferences and travel	-	-	-	-	-	-	-	4,763
Printing and postage	-	-	-	220	8,845	1,765	10,830	9,840
Professional development	518	153	671	494	-	491	1,656	12,239
Supplies	-	-	-	-	16,079	-	16,079	20,542
Miscellaneous	-	-	-	1,000	2,069	544	3,613	6,500
Total Operating Expenses	55,214	48,375	103,589	51,427	235,485	74,422	464,923	572,395
Total Expenses Before Depreciation	853,579	1,096,745	1,950,324	151,669	454,425	233,874	2,790,292	3,048,809
Depreciation	-	-	-	4,878	884	-	5,762	5,342
Total Expenses	$ 853,579	$ 1,096,745	$ 1,950,324	$ 156,547	$ 455,309	$ 233,874	$ 2,796,054	$ 3,054,151

See accompanying notes and auditors’ report.

VENTURA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

	2021	(Memo) Total 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 4,824,010	$ 408,054
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	5,762	5,342
Net realized and unrealized gains investments	(4,760,842)	(123,583)
Net realized and unrealized (gains) losses on FCCD Endowment	(339,310)	15,573
(Increase) decrease in value of beneficial interest in remainder trust	(70,265)	6,018
Donation of stock	(5,361)	-
(Increase) decrease in operating assets:		
Promises to give	7,133,959	1,636,858
Deposits and prepaid expenses	12,771	(25,365)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(11,470)	(2,319)
Grants and scholarships payable	(94,489)	85,534
Unfunded pension obligation	31,987	9,456
PPP loan debt forgiveness	(144,000)	-
CASH PROVIDED BY OPERATING ACTIVITIES	6,582,752	2,015,568
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(34,066)	-
Proceeds from the sale of marketable securities	3,784,264	28,922,155
Purchase of marketable securities	(10,022,875)	(31,052,087)
CASH USED IN INVESTING ACTIVITIES	(6,272,677)	(2,129,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from notes payable	34,066	-
Payments on notes payable	(1,892)	-
Funding received from deferred PPP loan	150,000	144,000
CASH PROVIDED BY FINANCING ACTIVITIES	182,174	144,000
NET INCREASE IN CASH	492,249	29,636
CASH AT BEGINNING OF YEAR	478,764	449,128
CASH AT END OF YEAR	$ 971,013	$ 478,764
SUPPLEMENTAL DISCLOSURES:		
In-kind contributions of goods, services & stock	$ 94,213	$ 113,080
In-kind contributions of rent	$ 91,000	$ 91,000

See accompanying notes and auditors' report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Ventura College Foundation, (the "Foundation") a charitable corporation, was incorporated in 1983. The Foundation is under the control of a Board of Directors comprised of eleven to thirty members and is administered by an Executive Director. The Foundation was formed to promote the general welfare of Ventura College. The Foundation is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. The Foundation is classified as a nonprofit organization, not a private foundation, as defined in Section 509(a)(3) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements of the Foundation are prepared using the accrual basis of accounting.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources which are not subject to donor-imposed restrictions, and may include voluntary reserves or Board designations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Cash and Cash Equivalents

The Foundation considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Foundation records investments in securities with readily determinable market values at fair value. The fair value of investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the year. Investments are authorized and reviewed in good faith by the Board of Directors through a Board-approved investment policy. The Board is assisted by management and a third-party investment manager, using methods that are consistent with the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA). Realized and unrealized gains and losses are included in the change in net assets.

Donated Property and Investments

Donated property and investments are recorded as contributions at their fair market value at date of receipt or the date of pledge.

Property and Equipment

Property and equipment is stated at cost, or fair market value if donated. It is the Foundation's policy to capitalize assets with a cost of $2,000 or more and an expected useful life of greater than one year. Depreciation is calculated using the Straight-line Method over their estimated useful lives as follows:

Marketplace improvements	7 – 15 years
Office and equipment	3 – 10 years
Furniture	5 – 10 years

Income Taxes

The Foundation is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2021, the Foundation had no uncertain tax positions requiring accrual. As of the year ended June 30, 2021, the Foundation's tax years for the years ended June 30, 2020, 2019 and 2018 are subject to examination by the taxing authorities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. It is at least reasonably possible that the significant estimates could change in the coming year and, accordingly, actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include:

- Allocation of certain expenses by function.
- Variables and discount factors used in determining residual interest in charitable remainder trusts.
- Fair market value of certain investments.
- Depreciable lives of property and equipment.

Donated Services

Donated goods and services received by the Foundation are recorded at fair market value at the time of the donation. During the fiscal year ended June 30, 2021, volunteers gave their time and expertise to the Foundation in a wide variety of areas including service on the Board of Directors; scholarship committees; administrative, and technical and financial advice. This contribution, despite its considerable value to the mission of the Foundation, is not reflected in the financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Goods	$ 125	$ 80,062	$ 80,187
Financial assets	-	5,361	5,361
Services and rent	93,065	6,600	99,665
	$ 93,190	$ 92,023	$ 185,213

Contributions

Contributions received are recorded at their fair value on the date of donation. Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Scholarships Payable

The Foundation records scholarships at the time they are awarded. The Foundation’s scholarship committee selects students annually to receive scholarship awards. The scholarship awards are announced in May and booked as a liability at the end of the fiscal year and are payable in the following school year. Any scholarships not claimed or deferred by the following fiscal school year are rescinded and returned to the appropriate fund and netted against program expenses for the year.

Functional Expenses

The Foundation allocates its expenses on a functional basis among its various program, management and general, and fundraising expenses. Expenses that can be identified with a specific area are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based upon time and effort of personnel supporting those functions.

Marketing Expenses

Marketing costs are expensed as incurred.

Recently Adopted Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update, ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a clearer framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Adoption of this update did not result in a significant change in the Foundation's recognition of contribution revenue.

Subsequent Events

Management has evaluated subsequent events through October 20, 2021, the date the financial statements were available to be issued. The Foundation has informed us there were no material subsequent events that require recognition, additional disclosure or that materially impact the Foundation's financial statements as of October 20, 2021, for the year ended June 30, 2021. Accordingly, no adjustments or additional disclosures have been included in these financial statements.

NOTE 2 - PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Management expects no material write-offs for receivables at June 30, 2021; therefore, no current provision has been made.

Recognition of all pledges receivable for the next five years ending June 30 and after is expected to be as follows:

2022	$	292,951
2023		81,900
2024		46,800
TOTAL	$	421,651

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

Equipment and furniture	$	109,853
Tenant improvements		82,851
		192,704
Accumulated depreciation		(153,456)
Property and Equipment, Net	$	39,248

Depreciation expense for the year ended June 30, 2021 was $5,762.

NOTE 4 - FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

Level 2:	Inputs to the valuation methodology may include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
Level 3:	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value.

Money market	Money market funds valued at the net asset value (NAV) of shares held at year end.
Equities and Fixed income	Equities and fixed income include a variety of publicly traded stocks from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.
FCCC Endowment	Valued at the percentage share of assets held by FCCC based upon quoted market prices at year end.
Planned Giving	Valued at estimated net present value (NPV) of beneficial interest in trust.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value of reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4 - FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level within the fair value hierarchy the assets at fair values as of June 30, 2021:

Description	Level 1	Level 2	Level 3	Total
Money Market	$ 408,095	$ -	$ -	$ 408,095
Investments				
Exchange-traded funds	29,083,839	-	-	29,083,839
FCCC Endowment	-	1,665,857	-	1,665,857
Beneficial interest in remainder trust	-	318,873	-	318,873
Total Assets Measured at Fair Value	$ 29,491,934	$ 1,984,730	$ -	$ 31,476,664

NOTE 5 - INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At June 30, 2021, all investments are held in exchange traded funds.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2021:

Realized investments gains	$ 328,396
Unrealized investment gains	4,771,756
Interest and dividends	450,305
Investment expenses	(114,821)
Net Investment Income	$ 5,435,636

See auditors' report.

NOTE 6 - FCCC OSHER INITIATIVE ENDOWMENT

The Foundation for California Community Colleges (FCCC) created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in 2008 with a lead gift from The Bernard Osher Foundation which provided a 50 percent match of contributions up to $25 million. As of June 30, 2021, the Foundation has FCCC endowments totaling $1,665,857. The donor-restricted funds are reflected as permanently restricted net assets, while the Board-designated portion is included in the unrestricted net asset balance. The Foundation anticipates that it will receive an annual distribution of 5% to be used for scholarships in accordance with the fund agreement. Because the FCCC retains control over the distributions and the Foundation has no control or access to the principal, the matching portion of the endowment, which totaled $646,223 as of June 30, 2020, is not recorded on the Foundation’s financial statements. After June 30, 2021, the FCCC agreed to "de-couple" funds donated by Southern California Edison (SCE) in the years 2009 through 2011 due to difficulties in awarding these scholarships using both the SCE restrictions and FCCC restrictions. As a result, the Foundation agreed to forgo $232,924 in matching funds previously earned. On October 6, 2021, the Foundation received a check in the amount of $450,949, which included all SCE donations plus earnings accrued. The Foundation will hold this amount as a scholarship endowment going forward. After the reduction of these matching funds, the Foundation's share of the FCCC endowment equaled $551,600 at August 31, 2021, the latest date the information was available. For the year ended June 30, 2021, distributions from the Osher endowment totaled $71,200, and distributions received from the FCCC controlled endowment totaled $34,400.

NOTE 7 - COMMUNITY FOUNDATION ENDOWMENT

The Foundation is the beneficiary of an endowment fund held by Ventura County Community Foundation (VCCF). The balance in the endowment was $1,340,377 at June 30, 2021. Because VCCF has been granted variance power, the endowment is not recorded on the Foundation’s financial statements. The income from this endowment is used to grant scholarships to students who have attended Ventura Community College and are continuing their education at any four year college, university or graduate school. According to the fund agreement, the Foundation is entitled to the income produced by the endowment in accordance with VCCF’s spending policy, but has no control or access to the principal. For the year ended June 30, 2021, the distributions available from the VCCF endowment totaled $57,863.

NOTE 7 - COMMUNITY FOUNDATION ENDOWMENT (continued)

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified those funds for which there is explicit donor prohibition as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.
- Depreciable lives of property and equipment.

Return Objectives and Risk Parameters

The Foundation adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately eight percent. Actual returns in any given year may vary from this amount.

NOTE 8 - ENDOWMENT FUNDS

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Managed by Outside Trustee	Managed by Foundation	Total
Board Designated			
Endowments assets, beginning of year	$ 549,379	$ 6,744,440	$ 7,293,819
Net investment income	145,336	2,806,110	2,951,446
Contributions	-	6,650,000	6,650,000
Appropriation of endowment assets for expenditure	(28,475)	(924,951)	(953,426)
Endowment assets, end of year	666,240	15,275,599	15,941,839
Donor-Restricted			
Endowments assets, beginning of year	824,280	10,244,452	11,068,732
Net investment income	218,062	2,264,307	2,482,369
Contributions	-	463,987	463,987
Appropriation of endowment assets for expenditure	(42,725)	(402,872)	(445,597)
Endowment assets, end of year	999,617	12,569,874	13,569,491
Total Endowments			
Endowments assets, beginning of year	1,373,659	16,988,892	18,362,551
Net investment income	363,398	5,070,417	5,433,815
Contributions	-	7,113,987	7,113,987
Appropriation of endowment assets for expenditure	(71,200)	(1,327,823)	(1,399,023)
Endowment Assets, End of Year	$ 1,665,857	$ 27,845,473	$ 29,511,330

Strategies Employed for Achieving Goals

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

NOTE 8 - ENDOWMENT FUNDS (continued)

Spending Policy

The Foundation uses the Rolling Average Method of determining year to year spending in order to smooth distributions from the aggregate portfolio. The Investment Committee has set the spending target to be four to five percent of the twelve quarter rolling average of the portfolio fair value of each endowment fund as of the last day of each quarter. If the fund has been in existence for less than three years, the average will be calculated as of the quarters that the fund has been in existence. The Investment Committee may vote to exceed five percent in a given year based on need and fund balance.

This policy serves two purposes. First, it provides for more consistent and predictable spending for the programs supported by the endowments. Second, it allows the Investment Committee to design an investment strategy which is more aggressive with a higher expected return than might be the case if spending were determined on the basis of annual investment performance. By smoothing the spending, the Foundation reduces the likelihood of real principal erosion due to portfolio volatility.

Endowment Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021, one endowment with a fair value of $548,210, was underwater by $18,290. The Foundation did not appropriate any funds from this endowment during the fiscal year ended June 30, 2021, except to pay investment management fees as necessary to maintain the pool.

NOTE 9 - PLANNED GIVING - BENEFICIAL INTEREST IN REMAINDER TRUST

The Foundation is the residual beneficiary of two charitable remainder trusts, the assets of which are not in the possession of the Foundation. Upon termination of the trusts, the Foundation shall receive the assets remaining in the trust. The Foundation recognizes annually the change in the present value of the estimated future benefits to be received when the trust assets are distributed as increases or decreases in the value of beneficial interests in remainder trusts on the Statements of Activities.

NOTE 10 - LONG TERM DEBT

In March 2021 the Foundation entered into a loan agreement with Ventura College. The College agreed to loan the Foundation $34,066 for the purpose of installing electrical outlets in the solar panel posts within the Marketplace parking lot. The outlets are for vendor and Foundation use during the Marketplace weekends and were recorded as a tenant improvement. The College agreed to pay for the up front cost of the outlets, and entered into a loan with the Foundation to repay the College monthly over three years at no interest.

At June 30, 2021, the remaining payments due as of June 30 for the next five years were:

2022	$	11,356
2023		11,355
2024		9,463
	$	32,174

NOTE 11 - UNFUNDED PENSION OBLIGATION

The Foundation has recognized an unfunded pension obligation liability. As of June 30, 2021, the Foundation has an estimated unfunded pension liability of $269,522 based upon the June 30, 2021 actuarial valuation report. The current year increase in the unfunded pension obligation of $31,987 has been recognized as an offsetting amount to the current year pension expense. In the unlikely case of a hypothetical termination, the Foundation would have an estimated unfunded pension liability of $1,803,690 as of June 30, 2021.

NOTE 12 - DEFERRED PPP LOAN

On May 6, 2020, the Foundation entered into a Loan Agreement and Promissory Notes (SBA Loan) pursuant to the Paycheck Protection Program ("PPP") under the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") administered by the U.S. Small Business Administration. The Foundation received total loan proceeds of $144,000. Under the provisions of the CARES Act, the Foundation applied for and received full forgiveness of the loan in March, 2021. The debt forgiveness is recognized in the Statement of Activities as other income without donor restrictions.

NOTE 12 - DEFERRED PPP LOAN (continued)

On March 18, 2021 the Foundation entered into a second PPP Loan Agreement, referred to as a "Second Draw Loan". The Foundation received $150,000 in loan proceeds from the Second Draw program in April 2021. The loan is scheduled to mature on March 18, 2026, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. Interest on the loan is deferred until the full maturity date. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined based on a number of factors, including the amount of loan proceeds used by the Foundation during the 24 week period after the loan origination date for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, at least 60% of the loan proceeds are used for eligible payroll costs and employee and compensations levels are maintained at specified levels. In accordance with the requirements of the CARES Act and the PPP, the Foundation intends to, and has, used the proceeds from the loan primarily for payroll costs. No assurance can be given that the Foundation will be granted forgiveness of the loan in whole or in part.

NOTE 13 - CONTINGENT LIABILITY

The Foundation is self-insured for unemployment compensation to former employees. The Foundation does not believe that any liability for unemployment compensation exists as of June 30, 2021, and therefore none is accrued.

NOTE 14 - DEFINED BENEFIT PLAN

Plan Description

In 2007, the Foundation entered into the defined benefit pension plan offered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. As the Foundation is a public agency with fewer than 100 active members, their plan is required to participate in a risk pool. CalPERS issues a separate comprehensive annual report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office.

NOTE 14 - DEFINED BENEFIT PLAN (continued)

Funding Policy

Active plan members are divided into two categories of “classic” (those employed prior to January 1, 2013) and “PEPRA” (those employed after January 1, 2013). Classic plan members are required to contribute 7% of their annual covered salary, while new plan members contribute 6.75%. The Foundation is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required contribution rate for fiscal year ended June 30, 2021, was 10.484% for classic plan members and 7.732% for PEPRA plan members. The contribution requirements of plan members and the Foundation are established by State statute, and the employer contribution rate is established and amended by CalPERS.

Annual Pension Cost

For fiscal year ended June 30, 2021, the Foundation's annual pension cost of $91,291 for CalPERS was equal to the Foundation’s required contributions plus the unfunded liability. The required contribution was determined as part of the June 30, 2021 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses), (b) 2.75% overall payroll growth per year, (c) 2.0% per year cost-of-living adjustments and (d) 2.5% inflation. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two to five year period (smoothed market value) depending on the size of investment gains and/or losses. CalPERS’ unfunded actuarial accrued liability is being amortized as a level percentage or projected payroll on a closed basis, which is dependent on the plan’s date of entry into CalPERS.

The following is a three year trend analysis for the annual pension cost and net pension obligation of the Foundation:

	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
June 30, 2019	$ 51,207	100%	$ -
June 30, 2020	$ 57,870	100%	$ -
June 30, 2021	$ 91,291	100%	$ -

See auditors’ report.

NOTE 14 - DEFINED BENEFIT PLAN (continued)

The following is a three year trend analysis for the funding status of the Plan's Share of pool's value of assets and liabilities as of June 30, 2020, based upon the most recent actuarial report issued in July 2021 as of June 30, 2021:

Valuation Date	Accrued Liabilities (AL)	Share of Pool's Market Value of Assets (MVA)	Plan's Share of Pool's Unfunded Liability (UL)	Funded Ratio
June 30, 2018	$ 1,180,752	$ 958,613	$ 228,079	81%
June 30, 2019	$ 1,320,050	$ 1,081,564	$ 237,535	82%
June 30, 2020	$ 1,609,463	$ 1,335,357	269,522	83%

NOTE 15 - LEASES

The Foundation entered into an annual lease agreement with Ventura College. This lease includes office space, utilities, liability and property insurance. The annual rent for this agreement is one dollar. This lease is automatically renewable on an annual basis. A donative value has been assigned to the lease based on the fair value of the rent totaling $36,000 for the year ended June 30, 2021.

The Foundation operates a swap meet called the Marketplace to raise funds to promote the general welfare of the College. The parking lot space used for this activity is donated by the College to the Foundation and is rented on weekends to vendors. A donative value has been assigned to the donated parking lot space based on the fair value of the rent totaling $55,000 for the year ended June 30, 2021.

NOTE 16 - CONCENTRATIONS AND RISKS

Market Risk

The Foundation holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

NOTE 16 - CONCENTRATIONS AND RISKS (continued)

Concentrations of Revenue

The majority of the donors to the Foundation are from Ventura County.

The Foundation operates a swap meet called the Marketplace to raise funds to promote the general welfare of the College. The parking lot space used for this activity is donated by the College to the Foundation, and is rented on weekends to vendors. The rental fees represent a substantial portion of the unrestricted revenue for the Foundation each year. Should the Marketplace cease to take place, there would be significant financial effect on the Foundation.

Due to the ongoing COVID-19 pandemic and the related restrictions placed on businesses by local health authorities, the Marketplace was unable to operate at full capacity for much of the fiscal year ended June 30, 2021. The Marketplace operations were limited as to number of vendors allowed, type of products available and customer capacity. The restrictions were lifted statewide on June 19, 2021 and the Marketplace was able to reopen at full capacity a week later and has been fully operational since. However, the pandemic status has not been lifted in the state and we cannot ensure that further restrictions will not be required. Revenue generated by the Marketplace during the year ended June 30, 2021 was $774,497 or 50% below revenue during the fiscal year ended June 30, 2019, which was the last full year unaffected by pandemic restrictions.

Credit Risk

The Foundation maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first $250,000 of funds on deposit at any one institution. As of June 30, 2021, the Foundation had uninsured cash balances of $485,210.

NOTE 17 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's working capital and cash flows are attributable to the annual cash receipts of donations and Marketplace income. Monthly cash outflows vary each year based on the specific requirements of the programs planned during the year. To manage liquidity, the Foundation utilizes the income provided from the Marketplace and investments as needed.

As shown on the face of the statement of financial position, and summarized below, most of the Foundation’s financial assets are subject to donor-imposed restrictions on use:

Financial assets available with one year and free of donor restrictions:	
Cash and cash equivalents	$ 971,013
Investments	29,083,839
Less those unavailable for general expenditures within one year due to:	
Scholarship endowments	(22,386,001)
Funds temporarily restricted for scholarships	(6,007,462)
Funds temporarily restricted for programs	(13,943)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	$ 1,647,446

Decker, Farrell & McCoy, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Litigation Specialists & Business Appraisers

Scott M. Decker, CPA/ABV/CVA
Michael J. Farrell, CPA
Leatha L. McCoy, CPA
Kathy I. Jonas, CPA/CFE

October 20, 2021

Board of Directors
Ventura College Foundation
4667 Telegraph Road
Ventura, CA 93003

Dear Board of Directors:

We have audited the financial statements of the Ventura College Foundation (the “Foundation”) for the year ended June 30, 2021, and have issued our report thereon dated October 20, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 7, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements were:

- *Management’s estimate of no allowance for uncollectible pledges and bequests receivable is based on historical collection rates and an analysis of the collectability of individual promises.*

- *Management’s used a present value discount for the in determining residual interest in charitable remaining trusts based on a 5% discount and donor’s age.*

400 W. Ventura Boulevard, Suite 245, Camarillo, California 93010 • (805) 910-1441 • FAX (805) 484-3595

- *Management's estimate unfunded pension obligation based on a valuation report prepared by California Public Employees' Retirement System Actuarial Office.*

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Ventura College Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Decker, Farrell & McCoy, LLP

DECKER, FARRELL & MCCOY, LLP
Camarillo, California

DFM

Decker, Farrell & McCoy, LLP
CERTIFIED PUBLIC ACCOUNTANTS
Litigation Specialists & Business Appraisers

Scott M. Decker, CPA/ABV/CVA
Michael J. Farrell, CPA
Leatha L. McCoy, CPA
Kathy I. Jonas, CPA/CFE

Board of Directors
Ventura College Foundation
4667 Telegraph Road
Ventura, CA 93003

In planning and performing our audit of the financial statements of the Ventura College Foundation (the ‘‘Foundation’’) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we also identified opportunities for strengthening internal controls and operating efficiency:

<u>Journal entry approval</u>

Upon review of journal entries, the vast majority of the journal entries were properly approved, however, a few entries lacked proper approval documentation. All entries should include an individual approving them in order to attribute responsibility to the appropriate individuals.

400 W. Ventura Boulevard, Suite 245, Camarillo, California 93010 • (805) 910-1441 • FAX (805) 484-3595

This communication is intended solely for the information and use of management, the Foundation's Board of Directors, and others within the Company, and is not intended to be, and should not be, used by anyone other than these specified parties.

Decker, Farrell & McCoy, LLP

DECKER, FARRELL & MCCOY, LLP
Camarillo, California
October 20, 2021