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FOUNDATION FOR
COMPTON COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS

June 30, 2023

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Foundation for Compton Community College District
Compton, California

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of The Foundation for Compton Community College District (the "Foundation"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for Compton Community College District as of June 30, 2023, and the changes to 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation for Compton Community College District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CWDL, Certified Public Accountants

San Diego, California
June 13, 2024

FINANCIAL STATEMENTS

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 1,551,275
Endowments	12,336
FCCC - Osher investment	<u>308,764</u>
Total assets	<u>\$ 1,872,375</u>

LIABILITIES

Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>

NET ASSETS

Net assets without donor restrictions	172,850
Net assets with donor restrictions	<u>1,699,525</u>
Total net assets	<u>1,872,375</u>
Total liabilities and net assets	<u>\$ 1,872,375</u>

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 776,689	\$ 776,689
Net investment income	31,405	-	31,405
In-kind donation	63,961	-	63,961
Net assets released from restriction	64,535	(64,535)	-
Total Support and Revenue	159,901	712,154	872,055
EXPENSES			
Program service expense	160,669	-	160,669
Management and general	11,043	-	11,043
Fundraising	11,136	-	11,136
Total Expenses	182,848	-	182,848
Change in Net Assets	(22,947)	712,154	689,207
Net Assets - Beginning of Year	277,702	905,466	1,183,168
Prior period adjustment (note 06)	(81,905)	81,905	-
Net Assets - End of Year	\$ 172,850	\$ 1,699,525	\$ 1,872,375

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program	Management		
	Service Expense	and General	Fundraising	Total
Direct Program Support				
Scholarships and awards	\$ 64,535	\$ -	\$ -	\$ 64,535
Supporting Services				
Program activities	15,000	-	-	15,000
Events and public relations	-	-	11,136	11,136
Appreciation awards	-	1,800	-	1,800
Contracted services	-	5,000	-	5,000
Legal fees	-	243	-	243
Accounting fees	-	2,500	-	2,500
Conference expense	16,560	-	-	16,560
In-kind	63,961	-	-	63,961
Bank fees	613	-	-	613
Other expenses	-	1,500	-	1,500
Total	\$ 160,669	\$ 11,043	\$ 11,136	\$ 182,848

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 689,207
Adjustments to reconcile change in net assets to net cash provided (used) by operations	
Realized/unrealized (gain)/loss on investment	(30,263)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>658,944</u>
Cash and Cash Equivalents - Beginning of Year	<u>892,331</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,551,275</u>

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: The Foundation for Compton Community College District (the "Foundation") was incorporated in the State of California in 2009, as a nonprofit public benefit corporation. The Foundation was organized to operate for the advancement of education, to provide financial support to students and various programs of Compton Community College District (the District), and to provide a link between the District and the community.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation: The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

All donor-restricted contributions are recorded as increases in net assets with donor restrictions. When a restriction expires, either by the passage of time or the purpose is satisfied, the net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Possible expirations of net assets with donor restriction are (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash Equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less as cash equivalents.

Investments: Investments in marketable securities are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments is reported in the statement of activities. Investment income, which consists of interest, dividends, realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a trade date basis.

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land held for investments: Land held for investments is carried at the lower of cost or fair value. Declines in the value of the investment is recognized if the aggregate fair value is less than the carrying amount, recoveries of aggregate fair value in subsequent periods is recorded in those periods subject only to the limitation that the carrying amount shall not exceed the original cost.

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

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purpose from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Receivables: Accounts receivable consist primarily of noninterest-bearing amounts due for services performed. The Foundation does not consider that the allowance for doubtful accounts is necessary as management believes all receivables are collectible. Uncollectible receivable will be written off in the year it deemed uncollectible. As of June 30, 2023 no amounts were written off.

Revenue Recognition: An investment management fee is charged by the Foundation and recognized as the services are performed for the management of the endowment. Unconditional grants and contributions are recognized when promised and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Management believes all contributions are collectible and no allowance for doubtful accounts is necessary. Contributions are written off when deemed uncollectible. As of June 30, 2023 no contributions were written off.

Investments: Investments purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment: Equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed on the straight-line method based on the assets' estimated useful lives ranging from three to five years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

The Organization has been named as a beneficiary in various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace the Organization as the beneficiary of the trust asset, the asset is not recorded. If the trust is irrevocable, and the amount to be received is known, the trust assets are recorded as a receivable. When the trust asset is distributed, any funds in excess of the receivable is recorded as a contribution.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets. Contributed assets are recorded at fair value on the date of receipt. Payments to the annuitant are made through a third party. Annually during the course of the audit the balance of the annuity is updated with the balance of assets remaining.

In-kind Contributions: In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions-continued: Office space was provided by the Compton Community College District on behalf of the Foundation. The valuation is based on the square footage of the office space at the market price that they would have to pay if not contributed. Donated supplies and materials include items donated to the Foundation for the use of the Foundation or the District. The value of the supplies and materials is based on the fair value of the same or similar products in the local market.

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

Cash and Cash Equivalents: Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation strives to maintain cash balances in financial institutions which are insured up to \$250,000. At June 30, 2023, bank balances in excess of Federal depository insurance coverage was \$1,313,611.

Income Taxes: The Foundation is a nonprofit corporation exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Foundation determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Functional Allocation of Expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments and Credit Risk: Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from other foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by the Foundation and Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Change in the Accounting Principle: In February 2016, the Financial Accounting Standards Board (FASB) established Accounting Standards Codification (ASC) Topic 842, Leases, (ASC Topic 842) by issuing Accounting Standards Update (ASU) No. 2016-02, which is effective January 1, 2022, and requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations. On June, 30, 2023, the Foundation had no leases requiring recognition under ASC Topic 842.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for program services that could be drawn upon if the Board of Directors approves that action.

Financial assets, at year-end:	
Cash and cash equivalents	\$ 1,551,275
Investments	<u>321,100</u>
Total financial assets, at year-end	\$ 1,872,375
Restrictions for specific purposes:	
Board designated	\$ 381,872
Donor designated	<u>1,317,653</u>
Total contractual or donor-imposed restrictions	1,699,525
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 172,850</u>

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – INVESTMENTS

Investments are stated at fair market value and consists of the following:

	Level 3
Investment Foundation for California Community Colleges Scholarships Endowment (FCCC/Osher)	\$ 308,764
Total	<u>\$ 308,764</u>

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC.

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of June 30, 2023, the carrying amounts of cash and cash equivalents and accounts payable approximate fair value because of the relatively short maturities of these financial instruments.

FOUNDATION FOR COMPTON COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – INVESTMENTS, continued

The Foundation used the following methods and significant assumptions to estimate fair value:

The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future 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 – CONTRIBUTED NONFINANCIAL ASSETS

The Foundation's Statements of Activities include in-kind contributions from the District totaling \$63,961 for the year ended June 30, 2023. This consisted of management support services and operational services as provided by the District. The valuation of such services is determined based upon the cost of the employees' salaries and benefits.

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events by the donors as follows for the years ended June 30, 2023.

Satisfaction of purpose restrictions	
Scholarships and college support	\$ <u>64,535</u>

NOTE 6 – PRIOR PERIOD ADJUSTMENT

The Foundation made a prior period adjustment, reducing net assets without donor restrictions and increasing net assets with donor restrictions in the amount of \$81,905. A portion of the board designated funds was captured without donor restrictions.

NOTE 7 – SUBSEQUENT EVENTS

The Foundation concluded that no subsequent events have occurred from June 30, 2023, to June 13, 2024 financial statements.