



Victor
Valley
College
Foundation
Their dreams, your passion, our mission!



**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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Smith Marion & Company, LLP • Certified Public Accountants
Redlands Office • 1175 Idaho Street, Suite 202 • Redlands, CA 92374 • (909) 307-2323

Board of Directors
Victor Valley College District Foundation, Inc.
Victorville, CA

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Victor Valley College District Foundation, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets, 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.

Auditors' 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 Victor Valley College District Foundation, Inc. as of June 30, 2017 and 2016, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

November 14, 2017

FINANCIAL STATEMENTS

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 877,381	\$ 605,203
Short-term investments	18,767	18,767
Investment - scholarship endowment	240,000	246,000
Investment - other	20,236	15,000
Pledges and grants receivable, net	78,015	106,433
Nursing loans receivable, net	-	5,650
Accrued interest receivable	870	870
Total Current Assets	<u>1,235,269</u>	<u>997,923</u>
Long-Term Assets		
Long-term investments	2,339,035	2,218,218
Investment - donated property	24,706	24,706
Property and equipment (net)	2,308,348	2,308,348
Total Long-Term Assets	<u>4,672,089</u>	<u>4,551,272</u>
TOTAL ASSETS	<u>\$ 5,907,358</u>	<u>\$ 5,549,195</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 61,501
Deferred Revenue	166,211	-
Joseph B. Campbell Scholarship	600	600
Total Current Liabilities	<u>166,811</u>	<u>62,101</u>
Net Assets		
Unrestricted	3,233,225	3,211,965
Temporarily restricted	1,222,677	1,011,484
Permanently restricted	1,284,645	1,263,645
Total Net Assets	<u>5,740,547</u>	<u>5,487,094</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,907,358</u>	<u>\$ 5,549,195</u>

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

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit Organization)

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND GAINS				
Donations	\$ 221,533	\$ 529,904	\$ 21,000	\$ 772,437
In-kind donations	8,145	275,595	-	283,740
Event and other revenue (net)	39,800	-	-	39,800
Membership dues	55,013	-	-	55,013
Interest and dividend income	(26,119)	32,502	-	6,383
Realized gain (loss)	(3,640)	(76,218)	-	(79,858)
Unrealized gain (loss)	94,388	105,565	-	199,953
Subtotal Revenues and Gains	<u>389,120</u>	<u>867,348</u>	<u>21,000</u>	<u>1,277,468</u>
Net Assets Released From Restrictions				
Net assets released from restrictions	<u>656,155</u>	<u>(656,155)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND GAINS	<u>1,045,275</u>	<u>211,193</u>	<u>21,000</u>	<u>1,277,468</u>
EXPENSES				
Program services	860,744	-	-	860,744
Management and general	71,165	-	-	71,165
Fundraising	92,106	-	-	92,106
TOTAL EXPENSES	<u>1,024,015</u>	<u>-</u>	<u>-</u>	<u>1,024,015</u>
Change in Net Assets	21,260	211,193	21,000	253,453
Beginning Net Assets	<u>3,211,965</u>	<u>1,011,484</u>	<u>1,263,645</u>	<u>5,487,094</u>
ENDING NET ASSETS	<u>\$ 3,233,225</u>	<u>\$ 1,222,677</u>	<u>\$ 1,284,645</u>	<u>\$ 5,740,547</u>

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

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit Organization)

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND GAINS				
Donations	\$ 342,521	\$ 583,359	\$ 3,350	\$ 929,230
In-kind donations	23,042	179,093	-	202,135
Event and other revenue (net)	44,664	-	-	44,664
Membership dues	60,923	-	-	60,923
Interest and dividend income	(10,903)	15,190	-	4,287
Realized gain (loss)	(3,640)	(36,452)	-	(40,092)
Unrealized gain (loss)	14,601	105,346	-	119,947
Subtotal Revenues and Gains	<u>471,208</u>	<u>846,536</u>	<u>3,350</u>	<u>1,321,094</u>
Net Assets Released From Restrictions				
Net assets released from restrictions	<u>599,644</u>	<u>(599,644)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND GAINS	<u>1,070,852</u>	<u>246,892</u>	<u>3,350</u>	<u>1,321,094</u>
EXPENSES				
Program services	891,684	-	-	891,684
Management and general	89,237	-	-	89,237
Fundraising	94,366	-	-	94,366
TOTAL EXPENSES	<u>1,075,287</u>	<u>-</u>	<u>-</u>	<u>1,075,287</u>
Change in Net Assets	(4,435)	246,892	3,350	245,807
Beginning Net Assets	<u>3,216,400</u>	<u>764,592</u>	<u>1,260,295</u>	<u>5,241,287</u>
ENDING NET ASSETS	<u>\$ 3,211,965</u>	<u>\$ 1,011,484</u>	<u>\$ 1,263,645</u>	<u>\$ 5,487,094</u>

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

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 7,680	\$ 550	\$ 8,230
Admission/entry fees	1,455	1,366	400	3,221
Advertising	7,546	7,495	1,445	16,486
Awards and recognition	16,235	-	3,462	19,697
Bad debt	6,200	-	4,000	10,200
Bank and broker charges	495	2,520	-	3,015
Catering	7,792	-	6,209	14,001
Contributions and donations	1,450	415	500	2,365
Dues and subscriptions	1,023	5,486	684	7,193
Education and training	2,513	1,854	380	4,747
Equipment and supplies	117,708	-	7,089	124,797
Event entertainment	300	-	-	300
Facilities and decorations	5,213	-	1,268	6,481
Grants awarded	104,533	-	-	104,533
Hospitality	3,526	-	3,328	6,854
Insurance	-	1,956	-	1,956
Licenses and fees	200	20	825	1,045
Meals	938	1,682	4,289	6,909
Office staffing	4,397	2,813	-	7,210
Office expense	857	4,855	1,676	7,388
Outside labor	8,634	-	4,546	13,180
Postage	27	1,361	256	1,644
Printing	4,229	-	7,881	12,110
Professional fees	4,357	16,971	20,772	42,100
Refund	75	-	5,075	5,150
Repairs and maintenance	988	-	-	988
Scholarships	321,832	9,089	8,000	338,921
Taxes	-	-	7,608	7,608
Telephone	-	3,725	-	3,725
Travel	22,707	1,877	1,863	26,447
Rent & utilities	215,514	-	-	215,514
	<u>\$ 860,744</u>	<u>\$ 71,165</u>	<u>\$ 92,106</u>	<u>\$ 1,024,015</u>

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

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit Organization)

STATEMENT OF FUNCTIONAL EXPENSES**FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Support Services		Total
		Management and General	Fundraising	
Accounting	\$ -	\$ 6,380	\$ -	\$ 6,380
Admission/entry fees	3,441	76	300	3,817
Advertising	-	8,968	13,380	22,348
Awards and recognition	11,258	113	5,731	17,102
Bad debt	500	-	12,630	13,130
Bank and broker charges	65	2,582	-	2,647
Catering	5,267	1,000	10,859	17,126
Commissions	-	-	-	-
Consultants	-	10,828	-	10,828
Contributions and donations	500	-	-	500
Depreciation	-	-	-	-
Dues and subscriptions	390	4,899	844	6,133
Education and training	595	4,717	50	5,362
Equipment and supply expenditures	109,743	556	6,852	117,151
Event entertainment	-	-	-	-
Facilities and decorations	5,062	1,335	3,135	9,532
Grants awarded	267,208	-	-	267,208
Hospitality	1,667	1,343	2,374	5,384
Insurance	-	1,956	-	1,956
Licenses and fees	-	45	1,060	1,105
Meals	2,580	1,425	4,221	8,226
Office staffing	323	261	-	584
Office expense	552	6,477	989	8,018
Outside labor	7,767	10	785	8,562
Postage	153	1,683	383	2,219
Printing	3,622	1,221	16,820	21,663
Professional fees	4,090	22,384	5,085	31,559
Program development	-	5,000	-	5,000
Refund	40	-	75	115
Repairs and maintenance	1,843	-	-	1,843
Scholarships	286,354	-	236	286,590
Taxes	-	-	7,498	7,498
Telephone	-	1,050	-	1,050
Travel	24,030	4,928	1,059	30,017
Rent & utilities	154,634	-	-	154,634
	<u>\$ 891,684</u>	<u>\$ 89,237</u>	<u>\$ 94,366</u>	<u>\$ 1,075,287</u>

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

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit Organization)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 253,453	\$ 245,807
<i>Adjustment to reconcile changes in net assets to net cash provided by operating activities:</i>		
<i>Non-Cash Items:</i>		
Unrealized (gain) loss	(199,953)	(119,947)
Donated investment property	-	(3,833)
<i>Increase (Decrease) in:</i>		
Pledges and grants receivables	28,418	(57,256)
Nursing loans receivable	5,650	-
Accrued interest receivable	-	(268)
<i>(Increase) Decrease in:</i>		
Accounts payable	(61,501)	37,331
Deferred revenue	166,211	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>192,278</u>	<u>101,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease(Increase) in investment-scholarship endowment	6,000	-
Realized (gain) loss	79,858	40,092
Reinvestment of interest and dividends	(6,383)	(4,287)
Proceeds from sale of investments	5,661	268
Sale/(Purchase) of investments	(5,236)	(22,000)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>79,900</u>	<u>14,073</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	272,178	115,907
Beginning Cash	<u>605,203</u>	<u>489,296</u>
ENDING CASH	<u>\$ 877,381</u>	<u>\$ 605,203</u>
Supplemental Data		
In-kind revenues	<u>\$ 283,740</u>	<u>\$ 202,135</u>
In-kind expenses	<u>\$ 283,740</u>	<u>\$ 202,135</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

VICTOR VALLEY COLLEGE DISTRICT FOUNDATION, INC.

(A Non-Profit organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Victor Valley College District Foundation, Inc. (the "Foundation") is a not-for-profit organization whose purpose is to support the operations and the students of Victor Valley Community College. The Foundation elicits donations for scholarships and loans to needy and deserving college students. The Foundation also develops resources and makes grants to support college educational programs.

Basis of Accounting

The Foundation maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation

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

- (1) *Unrestricted Net Assets* – these generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- (2) *Temporarily Restricted Net Assets* – the Foundation reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.
- (3) *Permanently Restricted Net Assets* – these net assets are received from donors who stipulate that resources are to be maintained permanently, but permits the Foundation to expend all of the income (or other economic benefits) derived from the donated assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-Kind Contributions

The Foundation recognizes the estimated value of in-kind contributions when received and the transfer of most of the items received for the use of the College at the same value. In-kind contributions of items that the Foundation ultimately puts to use are recorded as expenses, or, if they qualify, are capitalized as fixed assets.

Functional Allocation of Expenses

Costs of providing Victor Valley College District Foundation, Inc.'s programs and activities are presented in the Statement of Functional Expenses. The Foundation classifies portions to general and administrative and fundraising based on the costs associated with the respective categories.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value.

Property and Equipment

Property and equipment are reported at cost if purchased or at fair value at the date of donation. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is over one year. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Office equipment	5-10 years
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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. It is exempt from state taxes under Revenue and Taxation Code Section 23701(d).

Management believes that all of the positions taken by the Foundation, in its federal and state income tax returns, are more likely than not to be sustained upon examination. Victor Valley College District Foundation, Inc. files returns in the U.S. Federal jurisdiction and the State of California. The Organization's federal income tax returns for the prior three tax years remain subject to examination by the Internal Revenue Service. The Organization's California income tax returns for the prior four tax years remain subject to examination by the Franchise Tax Board.

Disclosure About Fair Value of Assets and Liabilities

Victor Valley College District Foundation, Inc. adopted the standard for Fair Value Measurements. The Accounting principle for fair value measurements defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

The Foundation defines fair value 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. The standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards three levels of inputs that may be used to measure fair value:

Level 1: Observable prices in active markets for identical assets or liabilities.

Level 2: 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 for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECEIVABLES

Pledges and Grants Receivable

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectible amounts through reduction in revenues related to those uncollectible amounts.

Pledges receivable consisted of the following:

	<u>6/30/17</u>	<u>6/30/16</u>
Receivables	\$ 82,516	\$ 111,559
Allowance for uncollectible pledges	<u>(4,501)</u>	<u>(5,126)</u>
Total pledges receivable	<u>\$ 78,015</u>	<u>\$ 106,433</u>

Nursing Loans Receivable

Nursing loans receivable were as follows:

	<u>6/30/17</u>	<u>6/30/16</u>
Receivables	\$ -	\$ 5,950
Allowance for uncollectible loans	<u>-</u>	<u>(300)</u>
Total loans receivable	<u>\$ -</u>	<u>\$ 5,650</u>

3. INVESTMENTS

At June 30, 2017 and 2016, investments consisted of the following:

	<u>6/30/17</u>	<u>6/30/16</u>
Mutual funds and bonds	\$ 2,339,035	\$ 2,218,218
Cash and cash equivalents	<u>18,767</u>	<u>18,767</u>
Total investments	<u>\$ 2,357,802</u>	<u>\$ 2,236,985</u>

4. CONCENTRATION OF CREDIT RISK

From time to time, the Foundation maintains bank balances in excess of the federally insured limits. This risk is mitigated by utilizing only highly rated financial institutions. At June 30, 2017 and 2016, the Foundation had approximately \$-0- and \$407,303, respectively, in excess of the federally insured limits.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 consisted of the following:

	<u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/17</u>
Property and Equipment				
Land	\$ 1,845,000	\$ -	\$ -	\$ 1,845,000
Donated assets	460,000	-	-	460,000
Equipment	40,138	-	-	40,138
Total Property and Equipment	<u>2,345,138</u>	<u>-</u>	<u>-</u>	<u>2,345,138</u>
Accumulated Depreciation	(36,790)	-	-	(36,790)
Property and Equipment (net)	<u>\$ 2,308,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,308,348</u>

Depreciation expense for the year ended June 30, 2017 was:

\$ -

Property and equipment as of June 30, 2016 consisted of the following:

	<u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/16</u>
Property and Equipment				
Land	1,845,000	\$ -	\$ -	\$ 1,845,000
Donated assets	460,000	-	-	460,000
Equipment	40,138	-	-	40,138
Total Property and Equipment	<u>2,345,138</u>	<u>-</u>	<u>-</u>	<u>2,345,138</u>
Accumulated Depreciation	(36,790)	-	-	(36,790)
Property and Equipment (net)	<u>\$ 2,308,348</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,308,348</u>

Depreciation expense for the year ended June 30, 2016 was:

\$ -

6. ENDOWMENT FUNDS

Victor Valley College District Foundation, Inc. Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA), as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. Accordingly, the Foundation classifies as permanently restricted net assets a) the original value of the gifts donated to 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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 various funds, 2) the purposes of the donor-restricted endowment funds, 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, and 7) The Foundation's investment policies.

6. ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. Victor Valley College District Foundation, Inc.'s investment policy stipulates that a prudent portion of monies are to be placed in interest-bearing accounts, to maximize the potential earnings on the gifts. The general rule for acceptable investments for the aggregated endowment funds (federal and non-federal) are savings accounts or in low-risk securities in which a regulated insurance company may invest under the law of the State in which the institution is located. This typically includes "savings accounts" such as a federally insured bank savings account, a comparable interest bearing account offered by a bank, or a money market fund. "Low-risk securities" includes certificates of deposit, mutual funds, stocks, or bonds.

Spending Policy. Income from the endowment may be spent for costs necessary to operate the Foundation, including general operating and maintenance costs, costs to administer and manage the endowment fund, and costs associated with buying and selling securities, such as stockbroker commissions and fees to "load" mutual funds. Income from the endowment cannot be spent for a school or department of divinity or any religious worship or sectarian activity, an activity that is inconsistent with a State plan for desegregation applicable to the grantee, or an activity that is inconsistent with a State plan applicable to the grantee.

Endowment net assets composition by type of fund as of June 30, 2017 and 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2017:			
Endowment Funds	<u>\$ 354,815</u>	<u>\$ 1,284,645</u>	<u>\$ 1,639,460</u>
June 30, 2016:			
Endowment Funds	<u>\$ 292,966</u>	<u>\$ 1,263,645</u>	<u>\$ 1,556,611</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)**6. ENDOWMENT FUNDS (CONTINUED)**

The changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017:			
Endowment net assets, beginning of year	\$ 292,966	\$ 1,263,645	\$ 1,556,611
Contributions	-	21,000	21,000
Transfer of funds	-	-	-
Investment return:			
Investment income	32,502	-	32,502
Net appreciation of investment	29,347	-	29,347
Total investment return	61,849	-	61,849
Amounts appropriated for expenditure	-	-	29,347
Endowment net assets, end of year	<u>\$ 354,815</u>	<u>\$ 1,284,645</u>	<u>\$ 1,639,460</u>
June 30, 2016:			
Endowment net assets, beginning of year	\$ 208,882	\$ 1,260,295	\$ 1,469,177
Contributions	-	3,350	3,350
Transfer of funds	-	-	-
Investment return:			
Investment income	15,190	-	15,190
Net depreciation of investment	68,894	-	68,894
Total investment return	84,084	-	84,084
Amounts appropriated for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 292,966</u>	<u>\$ 1,263,645</u>	<u>\$ 1,556,611</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. RESTRICTIONS ON NET ASSETS

The detail of temporarily and permanently restricted net assets as of June 30, 2017 is as follows:

Net assets released from restrictions during year ending June 30, 2017 were comprised of the following:

Funds available for the year	\$	165,317
Purchase of equipment and supplies		117,708
Scholarships provided		321,832
Grants awarded		51,298
	\$	<u>656,155</u>

Temporarily restricted net assets at June 30, 2017, are available for the following purposes:

Available for future periods	\$	900,110
Available for scholarships		260,718
Investment return on permanently restricted net assets not yet appropriated for expenditure		61,849
	\$	<u>1,222,677</u>

Permanently restricted net assets consisted of the following at June 30, 2017:

Endowment funds	\$	1,284,645
	\$	<u>1,284,645</u>

The detail of temporarily and permanently restricted net assets as of June 30, 2016 is as follows:

Net assets released from restrictions during year ending June 30, 2016 were comprised of the following:

Funds available for the year	\$	84,154
Purchase of equipment and supplies		109,743
Scholarships provided		282,504
Grants awarded		123,243
	\$	<u>599,644</u>

Temporarily restricted net assets at June 30, 2016, are available for the following purposes:

Available for future periods	\$	698,629
Available for scholarships		228,771
Investment return on permanently restricted net assets not yet appropriated for expenditure		84,084
	\$	<u>1,011,484</u>

Permanently restricted net assets consisted of the following at June 30, 2016:

Endowment funds	\$	1,263,645
	\$	<u>1,263,645</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. FAIR VALUE MEASUREMENTS

Fair value measurements for assets reported at fair value on a recurring basis at June 30, 2017 were based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level3)
Short-term investments				
Certificates of deposit	\$ 18,767	\$ 18,767	\$ -	\$ -
Total short-term investments	\$ 18,767	\$ 18,767	\$ -	\$ -
Long-term investments				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Equity securities				
Domestic	1,031,256	1,031,256	-	-
Debt securities				
Corporate bonds	1,307,779	1,307,779	-	-
Total long-term investments	\$ 2,339,035	\$ 2,339,035	\$ -	\$ -

Fair value measurements for assets reported at fair value on a recurring basis at June 30, 2016 were based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level3)
Short-term investments				
Certificates of deposit	\$ 18,767	\$ 18,767	\$ -	\$ -
Total short-term investments	\$ 18,767	\$ 18,767	\$ -	\$ -
Long-term investments				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Equity securities				
Domestic	1,003,621	1,003,621	-	-
Debt securities				
Corporate bonds	1,214,597	1,214,597	-	-
Total long-term investments	\$ 2,218,218	\$ 2,218,218	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FUNDS RAISED ON BEHALF OF VICTOR VALLEY COLLEGE

The amount of grants, contract and community education funds raised on behalf of Victor Valley College that did not go directly through our books and went straight to Victor Valley College is \$2,829,194 and \$2,159,408 for the fiscal years ended June 30, 2017 and June 30, 2016, respectively.

10. EVENT AND OTHER REVENUE (NET)

The following identifies the gross event revenue and direct event expenses:

	<u>6/30/17</u>	<u>6/30/16</u>
Event Revenue	\$ 106,775	\$ 105,521
Less: Direct Expenses	66,975	60,857
Event Revenue (Net)	<u>\$ 39,800</u>	<u>\$ 44,664</u>

11. DEFERRED REVENUE

The following identifies the deferred revenue as of June 30, 2017

	<u>6/30/17</u>	<u>6/30/16</u>
San Manuel Grant	\$ 146,211	\$ -
Industrial Integrity Solutions	20,000	-
Total Deferred Revenue	<u>\$ 166,211</u>	<u>\$ -</u>

12. SUBSEQUENT EVENTS

Management has evaluated activity of the Association through November 14, 2017, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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