Financial Statements
June 30, 2020 and 2019

College of the Desert Foundation

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Independent Auditor's Report

Board of Directors
College of the Desert Foundation
Palm Desert, California

Report on the Financial Statements
We have audited the accompanying financial statements of College of the Desert Foundation (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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.

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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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Rancho Cucamonga, California
October 21, 2020

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 1,636,133	$ 2,320,351
Investments	31,051,622	30,439,202
Investments related to deferred gifts	168,020	147,051
Unconditional promises to give	14,808	210,000
Accounts receivable	1,000	-
Accrued interest receivable	109,348	114,040
Student emergency funds held by District	5,000	5,000
Other assets	2,500	2,500
Total current assets	32,988,431	33,238,144
Noncurrent assets		
Beneficial interest in assets held by the Foundation for California Community Colleges	381,424	397,330
Unconditional promises to give - net of amortized discount	10,320	4,808
Equipment (net of accumulated depreciation)	40	1,784
Total noncurrent assets	391,784	403,922
Total assets	$ 33,380,215	$ 33,642,066
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 48,201	$ 156,120
Accrued expenses	20,771	26,051
Accounts payable - related party	188,112	208,092
Total current liabilities	257,084	390,263
Net assets		
Without donor restrictions		
Undesignated	2,350,492	2,354,594
Board designated	500,000	500,000
Total without donor restrictions	2,850,492	2,854,594
With donor restrictions	30,272,639	30,397,209
Total net assets	33,123,131	33,251,803
Total liabilities and net assets	$ 33,380,215	$ 33,642,066

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants	$ 5,000	$ 326,875	$ 331,875
Pass through scholarship donations	-	329,622	329,622
Special events revenue	305,018	-	305,018
Donated facilities (in-kind)	62,926	-	62,926
Annual Giving	13,236	27,849	41,085
Leadership Giving	69,729	166,175	235,904
Business Engagement Giving	1,000	125,272	126,272
Major Gifts	-	-	-
Planned Giving	96,275	139,663	235,938
Management services	429,455	(429,455)	-
Assets released from restrictions	1,653,094	(1,653,094)	-
Total revenues	2,635,733	(967,093)	1,668,640
Expenses			
Program	2,261,819	-	2,261,819
Management and general	443,095	-	443,095
Fundraising	238,447	-	238,447
Total expenses	2,943,361	-	2,943,361
Other Income (Expense)			
Net unrealized gain on investments	16,890	109,568	126,458
Net realized gain on investments	109,699	282,275	391,974
Interest and dividends, net of fees	176,937	464,855	641,792
Subtotal investment income	303,526	856,698	1,160,224
Change in value of deferred gifts	-	(18,669)	(18,669)
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	4,494	4,494
Total other income (expense)	303,526	842,523	1,146,049
Transfers	-	-	-
Change in Net Assets	(4,102)	(124,570)	(128,672)
Net Assets, Beginning of Year	2,854,594	30,397,209	33,251,803
Net Assets, End of Year	$ 2,850,492	$ 30,272,639	$ 33,123,131

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grants	$ -	$ 423,233	$ 423,233
Pass through scholarship donations	-	323,775	323,775
Special events revenue	672,559	25,000	697,559
Donated facilities (in-kind)	65,283	-	65,283
Annual Giving	24,530	27,320	51,850
Leadership Giving	175,537	149,540	325,077
Business Engagement Giving	3,075	131,878	134,953
Major Gifts	-	86,000	86,000
Planned Giving	125,771	484,634	610,405
Management services	423,446	(423,446)	-
Assets released from restrictions	1,475,295	(1,475,295)	-
Total revenues	2,965,496	(247,361)	2,718,135
Expenses			
Program	2,166,819	-	2,166,819
Management and general	531,739	-	531,739
Fundraising	572,302	-	572,302
Total expenses	3,270,860	-	3,270,860
Other Income (Expense)			
Net unrealized gain on investments	9,084	87,334	96,418
Net realized gain on investments	288,390	729,942	1,018,332
Interest and dividends, net of fees	162,727	448,292	611,019
Subtotal investment income	460,201	1,265,568	1,725,769
Change in value of deferred gifts	-	16,359	16,359
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	21,694	21,694
Total other income (expense)	460,201	1,303,621	1,763,822
Transfers	(3,029)	3,029	-
Change in Net Assets	151,808	1,059,289	1,211,097
Net Assets, Beginning of Year	2,702,786	29,337,920	32,040,706
Net Assets, End of Year	$ 2,854,594	$ 30,397,209	$ 33,251,803

	2020	2019
Operating Activities		
Change in net assets	$ (128,672)	$ 1,211,097
Adjustments to reconcile change in net assets to net cash flows from (used for) operating activities		
Depreciation	1,744	2,273
Amortization of discount on promises to give	(680)	(192)
Unrealized gain on investments	(126,458)	(96,418)
Realized gain on investments	(391,974)	(1,018,332)
Change in value of deferred gifts	(20,969)	(16,359)
Loss on uncollectable promises to give	-	28,905
Contributions restricted for long-term purposes	-	(33,869)
Distributions from beneficial interest in assets held by the Foundation for California Community Colleges	20,400	19,067
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(4,494)	(21,694)
Changes in assets and liabilities		
Unconditional promises to give	190,360	(77,616)
Accounts receivable	(1,000)	2,139
Accounts receivable - related party	-	45,000
Accrued interest receivable	4,692	6,830
Accounts payable	(107,919)	(3,361)
Accrued expenses	(5,280)	(38,681)
Accounts payable - related party	(19,980)	6,495
Net Cash Flows from (used for) Operating Activities	(590,230)	15,284
Investing Activities		
Sale of investments	10,048,816	9,082,879
Purchase of investments	(10,142,804)	(7,813,938)
Net Cash Flows from (used for) Investing Activities	(93,988)	1,268,941
Financing Activities		
Collections of contributions restricted for long-term purposes	-	33,869
Net Cash Flows from Investing Activities	-	33,869
Net Change in Cash and Cash Equivalents	(684,218)	1,318,094
Cash and Cash Equivalents, Beginning of Year	2,320,351	1,002,257
Cash and Cash Equivalents, End of Year	$ 1,636,133	$ 2,320,351

	2020			
	Program	Management and General	Fundraising	Total
College support	$ 550,046	$ -	$ -	$ 550,046
Scholarships	1,266,263	-	-	1,266,263
Special event	-	-	18,343	18,343
Salaries and benefits	218,746	274,995	131,248	624,989
Bank and credit card charges	-	3,075	-	3,075
Depreciation	-	1,744	-	1,744
Equipment and maintenance	-	17,371	-	17,371
Insurance	-	555	-	555
Marketing and development	105,558	-	32,589	138,147
Independent contractors	90,198	32,799	40,999	163,996
Membership	55	2,625	55	2,735
President's fund	12,698	-	-	12,698
Office	-	9,506	233	9,739
Conferences and travel	2,072	3,454	1,382	6,908
Postage and printing	7,399	3,706	4,587	15,692
Professional services	8,329	24,988	8,329	41,646
Recognition	455	3,409	682	4,546
Donated facilities	-	62,926	-	62,926
Bad debts	-	-	-	-
Telephone	-	1,942	-	1,942
Total expenses	$ 2,261,819	$ 443,095	$ 238,447	$ 2,943,361

	2019			
	Program	Management and General	Fundraising	Total
College support	$ 608,997	$ -	$ -	$ 608,997
Scholarships	847,714	-	-	847,714
Special event	-	-	247,610	247,610
Salaries and benefits	214,430	269,569	128,658	612,657
Bank and credit card charges	-	6,988	-	6,988
Depreciation	-	2,273	-	2,273
Equipment and maintenance	-	16,506	-	16,506
Insurance	-	555	-	555
Marketing and development	228,565	-	98,749	327,314
Independent contractors	164,296	59,744	74,680	298,720
Membership	73	3,504	73	3,650
President's fund	72,967	-	-	72,967
Office	-	28,351	697	29,048
Conferences and travel	11,174	18,623	7,449	37,246
Postage and printing	12,834	6,429	7,957	27,220
Professional services	4,450	13,349	4,450	22,249
Recognition	1,319	9,896	1,979	13,194
Donated facilities	-	65,283	-	65,283
Bad debts	-	28,905	-	28,905
Telephone	-	1,764	-	1,764
Total expenses	$ 2,166,819	$ 531,739	$ 572,302	$ 3,270,860

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

College of the Desert Foundation (the Foundation) is a non-profit organization that was formed on July 27, 1983. The purpose of the Foundation is to enhance the quality of education by advancing College of the Desert (the College) through building relationships, securing philanthropic support, and stewarding assets. The Foundation operates primarily in the Coachella Valley of Southern California. It receives substantially all of its revenues from residents of this area and is subject to economic factors which may affect charitable giving in Southern California.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the College are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others.* The Foundation reflects contributions received for the benefit of the College as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Net Assets

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

Net Assets without Donor Restrictions - Net assets available for general use and not subject to donor (or certain grantor) restrictions. The Foundation's Board has also designated various balances of net assets without donor restrictions for certain uses, as described in Note 11.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor, either without or with restrictions. The Foundation reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about how the contributions are to be spent, the Foundation reports these contributions as without donor restrictions. The Foundation records special events revenue equal to the cost of direct benefit to donors, and contribution revenue for the difference.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution is received. 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 met.

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College. A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements because the recognition criteria were not met.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect 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

Income Taxes

The Foundation is a non-profit public benefit corporation that is exempt from 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 and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Foundation's Federal informational tax returns are no longer subject to tax examinations for the years before June 30, 2017. California State informational returns are no longer subject to tax examinations for the years before June 30, 2016.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

Property and Equipment

Capital purchases comprise furniture, fixtures and equipment, and leasehold improvements. Property and equipment additions over $2,000, are recorded at cost, or if donated, at fair value on the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset or materially extend an asset's life are capitalized. Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of equipment currently held by the Foundation is five years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. The cost of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, money market accounts, and certificates of deposit with original maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. In addition, the Foundation also maintains cash balances with Securities Investor Protection Corporation (SIPC) brokerage firms which are insured up to $500,000. At June 30, 2020 and 2019, the Foundation had cash balances held in financial institutions in excess of FDIC and SIPC in the amounts of $750,194 and $1,304,803, respectively.

Promises to Give

Th Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

Management has deemed all amounts as collectible; therefore, no allowance for doubtful accounts is considered necessary. Management recognized bad debt expenses in the amounts of $0 and $28,905 at June 30, 2020 and 2019, respectively.

Beneficial Interest in Assets Held by Community Foundation

During 2008, the Foundation established an endowment fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Osher Endowment Scholarship program and named the Foundation as a beneficiary. Variance power was granted to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statements of activities.

Investments

Investment 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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. Allocated expenses include salaries and benefits, independent contractors, marketing and development, membership, office, conference and travel, postage and printing, professional services, and recognition, which are allocated on the basis of estimates of time and effort.

Management Fee

Endowments received by the Foundation are subject to a two percent annual administrative fee of the value of the endowed asset. The fee will come from the interest earned off the endowment. The Foundation also assesses a five percent gift fee on all restricted and endowed donations. Revenues received from management fees are used by the Foundation to further advancement efforts on behalf of College of the Desert.

Advertising Costs

Costs associated with advertising are expensed as incurred. During the 2020 and 2019 fiscal years, total advertising costs were $138,147 and $327,314, respectively.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 includes a second provision for entities that serve as a resource provider and are making contributions to other organizations. This portion of the standard has a later implementation date and is effective for entities with annual periods beginning after December 15, 2019, and will be implemented at that time. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

On June 3, 2020, the FASB issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) *and Leases* (Topic 842) *Effective Dates for Certain Entities*, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic.

ASU 2020-05 defers the effective date of FASB ASC 606, *Revenue from Contract with Customers*, for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The effective date for a public business entity, a nonprofit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission (SEC) is not affected by the amendments in this ASU.

The effective date of FASB ASC 842, *Leases*, is deferred by one year, as follows:

For private companies and private nonprofits, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

For public nonprofits that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 842, to fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The Foundation has adopted this standard as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2020-05.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Foundation for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Foundation for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following at June 30,:

	2020	2019
Cash and cash equivalents	$ 887,442	$ 1,003,290
Investments	1,938,041	1,888,506
Unconditional promises to give, current (pledges)	10,000	50,192
Total financial assets available within one year	$ 2,835,483	$ 2,941,988

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To ensure the stability of its mission, programs, employment, and ongoing operations, the Foundation maintains a Board Designated Reserve Fund. The Foundation has an Investment Policy Statement that establishes investment objectives for short-term and long-term investments. The short-term investments include assets with donor restrictions, as well as assets without donor restrictions. Since these funds are maintained for current operating expenses, as well as near-term funding commitments, they are managed with little or no risk to principle. They include cash and cash equivalents and short-term fixed income securities with an average maturity of three years and a maximum maturity of five years. The Endowed Assets are invested to emphasize long-term investment fundamentals. The objective is to maximize long-term returns consistent with prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation.

Note 3 - Restrictions on Net Asset Balances

Donor restricted net assets with time and/or purpose restrictions consist of the following at June 30,:

	2020	2019
Deferred gifts	$ 168,020	$ 147,051
Various donor restricted funds	6,156,483	6,503,495
Osher endowment	44,875	60,781
Foundation scholarships	4,488,455	4,271,076
Total donor restricted net assets	$ 10,857,833	$ 10,982,403

Donor restricted net assets with perpetual restrictions consist of the following at June 30,:

	2020	2019
Scholarships and programs for the College	$ 6,731,175	$ 6,731,175
Osher endowment	336,549	336,549
General endowments	12,347,082	12,347,082
Total donor restricted net assets	$ 19,414,806	$ 19,414,806

Note 4 - Unconditional Promises to Give

The Foundation's unconditional promises to give consisted of the following at June 30,:

	2020	2019
Unconditional promises to give, less than one year	$ 14,808	$ 210,000
Unconditional promises to give, more than one year	11,000	5,000
Total	25,808	215,000
Less: Unamortized discount	(680)	(192)
Net Unconditional Promises to Give	$ 25,128	$ 214,808

The discount rate utilized for the years ended June 30, 2020, and 2019 was four percent.

Note 5 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2020:

	Adjusted Cost	Fair Value	Net Unrealized Gain
Equity, Bonds, and Mutual Funds	$ 30,925,164	$ 31,051,622	$ 126,458
Beneficiary Remainder Trust	168,020	168,020	-
Beneficial interest in assets held by the Foundation for California Community Colleges	381,424	381,424	-
Total	$ 31,474,608	$ 31,601,066	$ 126,458

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2019:

	Adjusted Cost	Fair Value	Net Unrealized Gain
Equity, Bonds, and Mutual Funds	$ 30,342,784	$ 30,439,202	$ 96,418
Beneficiary Remainder Trust	147,051	147,051	-
Beneficial interest in assets held by the Foundation for California Community Colleges	397,330	397,330	-
Total	$ 30,887,165	$ 30,983,583	$ 96,418

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 222,142	$ 582,378	$ 804,520
Net realized gain	109,699	282,275	391,974
Net unrealized gain	16,890	109,568	126,458
Total investment income	348,731	974,221	1,322,952
Investment expenses	(45,205)	(117,523)	(162,728)
Total investment income, net of expenses	$ 303,526	$ 856,698	$ 1,160,224

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 205,553	$ 564,126	$ 769,679
Net realized gain	288,390	729,942	1,018,332
Net unrealized gain	9,084	87,334	96,418
Total investment income	503,027	1,381,402	1,884,429
Investment expenses	(42,826)	(115,834)	(158,660)
Total investment income, net of expenses	$ 460,201	$ 1,265,568	$ 1,725,769

Note 6 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the College and its donors have contributed $336,549. As of June 30, 2020 and 2019, the ending balance of the Osher Endowment Scholarship was $381,424 and $397,330, respectively. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 7 - Market Value of Financial Assets and Liabilities

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

	Level 1	Level 2	Level 3	Total
Investment Assets				
Equity	$ 10,873,852	$ -	$ -	$ 10,873,852
Bonds	10,829,145	6,636,834	-	17,465,979
Mutual Funds	1,853,973	-	-	1,853,973
Exchange Traded Funds	774,901	-	-	774,901
Other Assets	82,917	-	-	82,917
Beneficiary Remainder Trust	-	-	168,020	168,020
FCCC Osher Endowment Scholarship Fund	-	-	381,424	381,424
Total	$ 24,414,788	$ 6,636,834	$ 549,444	$ 31,601,066

	Beneficial Interest in FCCC	Beneficiary Remainder Trust
Investments, at Fair Value		
Balance, at June 30, 2019	$ 397,330	$ 147,051
Contribution in beneficiary remainder trust	-	55,617
Amounts received from beneficiary remainder trust	-	(48,060)
Net changes in fair market value	-	13,412
Investment return, net	4,494	-
Distributions	(20,400)	-
Balance, at June 30, 2020	$ 381,424	$ 168,020

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

	Level 1	Level 2	Level 3	Total
Investment Assets				
Equity	$ 10,302,877	$ 5,902,836	$ -	$ 16,205,713
Bonds	11,501,283	-	-	11,501,283
Mutual Funds	1,896,274	-	-	1,896,274
Exchange Traded Funds	731,898	-	-	731,898
Other Assets	104,034	-	-	104,034
Beneficiary Remainder Trust	-	-	147,051	147,051
FCCC Osher Endowment Scholarship Fund	-	-	397,330	397,330
Total	$ 24,536,366	$ 5,902,836	$ 544,381	$ 30,983,583

	Beneficial Interest in FCCC	Beneficiary Remainder Trust
Investments, at Fair Value		
Balance, at June 30, 2018	$ 394,703	$ 130,692
Amounts received from beneficiary remainder trust	-	(38,560)
Net changes in fair market value	-	54,919
Investment return, net	21,694	-
Distributions	(19,067)	-
Balance, at June 30, 2019	$ 397,330	$ 147,051

Note 8 - Equipment

Property and equipment are summarized as follows at June 30,:

	2020	2019
Assets being depreciated	$ 23,638	$ 23,638
Accumulated depreciation	(23,598)	(21,854)
Total	$ 40	$ 1,784

Depreciation expense was $1,744 and $2,273 at June 30, 2020 and 2019, respectively.

Note 9 - Split Interest Agreements

The Foundation has a beneficial interest in various irrevocable charitable remainder trusts and pooled income funds including a pooled income fund administered by the Community College League of California. The assets are held in various stocks, bonds, and other assets in the names of the individual donors' trusts, and are accounted for in net assets with donor restrictions. The trusts provide for payments to the granter or other designated beneficiary over the trust's terms. At the end of the trust's term, the remaining assets are available to the Foundation. Fair value is based on the present value of the estimated future benefits to be received, which take into account required annual distributions to the donor, the donor's life expectancy, and the assumed rate of return on the investments over the years. The trusts are revalued on an annual basis, and the change in the present value of the trusts' assets is recorded as a gain or loss in the statements of activities.

A summary of the changes in split interest agreements is summarized as follows for June 30,:

	2020	2019
Beginning Balance	$ 147,051	$ 130,692
Contributions	55,617	-
Total	$ 202,668	$ 130,692
Amounts received during the year	$ (48,060)	$ (38,560)
Net changes in current fair market values	13,412	54,919
Ending Balance	$ 168,020	$ 147,051

Note 10 - Endowments

The Foundation's endowment (the Endowment) consists of approximately 75 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment includes both donor-restricted endowment funds that the Foundation must hold in perpetuity, or for a donor-specified period, as well as funds designated by the Board of Directors to function as endowments (funds designated).

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted 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.

Funds With Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor of the UPMIFA required the Foundation to retain as a fund of perpetual duration ("below water endowments"). In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature reported as of June 30, 2020.

Investment Objectives and Risk Parameters

The Foundation has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Therefore, the Foundation expects its endowment assets, over time, to exceed the average annual return of the applicable benchmark index with a lower than benchmark volatility over a three to five year rolling time period. Actual returns in any given year may vary from this expectation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Foundation's Board-approved spending policy was created to protect the values of the endowments. The Board of Directors approved a policy that all endowments are first subject to an annual administrative fee of two percent calculated at the end of each month, based on the market value balance that is deposited into the operating fund of the Foundation. The total endowment spending rate of no more than five percent per year is determined by the investment committee at the annual meeting using the average market value of the funds on June 30 for each of the three years immediately preceding the fiscal year the payout is to be made.

Changes in endowment net assets are as follows for June 30,:

	2020 With Donor Restrictions	2019 With Donor Restrictions
Beginning Balance	$ 23,746,663	$ 22,951,266
Contributions	-	39,739
Investment income	958,314	1,423,370
Amounts appropriated for expenditures	(756,841)	(653,245)
Other transfers/reclassifications	-	(14,467)
Ending Balance	$ 23,948,136	$ 23,746,663

Note 11 - Board Designated Net Assets

Net assets without donor restrictions that have been Board designated consist of the following at June 30,:

	2020	2019
General Reserves	$ 500,000	$ 500,000

Note 12 - Related Party Transactions

Desert Community College District

Desert Community College District (the District) charges administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District and reimbursed by the Foundation. Accordingly, at June 30, 2020 and 2019, the Foundation owed the District $188,112 and $208,092, respectively, for all services. The Foundation bills the District for various marketing services performed on behalf of the District. Accordingly, at June 30, 2020 and 2019, there were no outstanding amounts the District owed the Foundation, for all services. The District maintains a balance of Foundation funds for purposes of student emergency awards. The balances of the funds as of June 30, 2020 and 2019, amounted to $5,000 and $5,000, respectively.

In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal years 2020 and 2019 amounted to $62,926 and $65,283, respectively, and have been reflected in the financial statements as in-kind revenue.

Desert Community College District Auxiliary Services

Desert Community College District Auxiliary Services (the Auxiliary) provides services for the Foundation in the form of passing through scholarships issued by the Foundation to student accounts. These scholarships are recorded in the Foundation financials under program expenses.

Note 13 - Lease Commitments

The Foundation leases a copier under a 48-month operating lease agreement that commenced April 2019 and expires March 2023.

For leases as of June 30, 2020, minimum required future rental payments are as follows:

Year Ending June 30,	Total Payments
2021	$ 7,183
2022	7,183
2023	5,388
Total	$ 19,754

Note 14 - Subsequent Events

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.

Under the Paycheck Protection Program (PPP), the Foundation was granted a $97,545 loan on July 1, 2020, administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded this as a note payable and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. In the event that a portion of the loan is not forgiven, the Foundation will be required to repay any remaining balance in monthly payments including interest accrued at 1%.

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through October 21, 2020, which is the date the financial statements were available to be issued.