

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

June 30, 2019 and 2018



**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
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JUNE 30, 2019**

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**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
BOARD OF DIRECTORS
JUNE 30, 2019**

The Hartnell College Foundation (the "Foundation") is governed by a Board of Directors and is a legal entity separate from the Hartnell Community College District (the "District"). The Foundation was incorporated in 1979.

The Foundation secures property by outright gift, bequest, will or trust and earnings from investments. The Foundation makes gifts, loans, grants and scholarships in order to promote, foster and implement the programs and activities of the District.

The Board of Directors for the fiscal year ended June 30, 2019 can be found on the following page.

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
BOARD OF DIRECTORS
JUNE 30, 2019**

The Board of Directors for the fiscal year ended June 30, 2019 was comprised of the following members:

Members	Office	Term Expires
Kurt Gollnick	President	December 2019
Anne Secker	Past President	October 2019
Michael Cling	Vice President	December 2021
Sharon Dilbeck	Vice President	October, 2021
Stephen Goldman	Vice President	October, 2021
Adrienne Laurent	Vice President	December 2020
Dr. Pablo Romero	Vice President	December 2020
Esther Rubio	Vice President	December 2019
Judith Sulsona	Vice President	October, 2021
David Warner	Vice President	December 2019
Michael Briley	Treasurer	December 2019
Alfred Muñoz	Secretary	October, 2021
Bruce Adams	Member	December 2020
Michael Avila	Member	December 2021
Andrea Bailey	Member	December 2019
Teri Belli	Member	December 2019
Susan Black	Member	December 2019
Dennis Donohue	Member	October 2020
Joyce Eikenberry	Member	December 2021
Karen Fanoë	Member	December 2019
Susan Gill	Member	December 2019
Emmett Linder	Member	December 2019
Sam Linder	Member	December 2020
Christopher Lopez	Member	December 2021
Dawn Mathes	Member	October 2020
Dr. Robert Patton	Member	October 2021
Jose Ramon	Member	December 2020
Elliott Robinson	Member	October 2020
John Romans	Member	December 2020
Kerry Varney	Member	December 2019
Bart Walker	Member	December 2019
Patick Zelaya	Member	December 2021
Dr. Willard Lewallen	Superintendent/President Hartnell College	
Erica Padilla-Chavez	Hartnell College Board of Trustees Representative	



INDEPENDENT AUDITORS' REPORT

Board of Directors
Hartnell College Foundation
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of Hartnell College Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hartnell College Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1, Hartnell College Foundation began the implementation of the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as of fiscal year 2018-19. The requirements of ASU 2016-14 have been retrospectively applied to all periods presented. Our opinion is not modified with respect to this matter.

CWDL, Certified Public Accountants

San Diego, California
October 27, 2019

FINANCIAL STATEMENTS

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

	<u>2019</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,552,049
Grants/Pledges receivable, current	1,810,160
Prepaid expenses	46,858
Total current assets	<u>6,409,067</u>
Noncurrent assets:	
Pledges receivable, net of current portion	2,561,666
Investments	10,877,736
Land held for investment	20,500,000
Art and collections	256,581
Total noncurrent assets	<u>34,195,983</u>
Total assets	<u>\$ 40,605,050</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 706,826
Scholarships payable	305,307
Deferred revenue	53,541
Total current liabilities	<u>1,065,674</u>
NET ASSETS	
Net assets without donor restrictions	1,757,403
Net assets with donor restrictions	37,781,973
Total net assets	<u>39,539,376</u>
Total liabilities and net assets	<u>\$ 40,605,050</u>

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

	<u>2018</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,588,220
Grants/Pledges receivable, current	1,512,996
Prepaid expenses	<u>22,535</u>
Total current assets	<u>6,123,751</u>
Noncurrent assets:	
Pledges receivable, net of current portion	505,000
Investments	10,401,126
Land held for investment	20,500,000
Art and collections	<u>256,579</u>
Total noncurrent assets	<u>31,662,705</u>
Total assets	<u>\$ 37,786,456</u>
 LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 645,445
Scholarships payable	322,066
Deferred revenue	<u>44,802</u>
Total current liabilities	<u>1,012,313</u>
 NET ASSETS	
Net assets without donor restrictions	1,432,298
Net assets with donor restrictions	<u>35,341,845</u>
Total net assets	<u>36,774,143</u>
Total liabilities and net assets	<u>\$ 37,786,456</u>

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2019**

Year Ended June 30, 2019	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations	\$ 129,898	\$ 6,583,788	\$ 6,713,686
Special events	260,693	347,916	608,609
In-kind donations	229,485	43,332	272,817
Net investment return	43,507	424,208	467,715
Rental income	-	302,909	302,909
Other revenue	164,242	-	164,242
Net assets released from restriction	5,262,025	(5,262,025)	-
Total Support and Revenue	6,089,850	2,440,128	8,529,978
EXPENSES			
Program	5,375,494	-	5,375,494
General and administrative	166,915	-	166,915
Fundraising	222,336	-	222,336
Total Expenses	5,764,745	-	5,764,745
Change in Net Assets	325,105	2,440,128	2,765,233
Net Assets - Beginning of Year	1,432,298	35,341,845	36,774,143
Net Assets - End of Year	\$ 1,757,403	\$ 37,781,973	\$ 39,539,376

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JUNE 30, 2018**

Year Ended June 30, 2018	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations	\$ 136,850	\$ 23,784,238	\$ 23,921,088
Special events	269,626	121,005	390,631
In-kind donations	212,193	143,915	356,108
Net investment return	64,356	794,347	858,703
Other revenue	160,573	303,022	463,595
Interfund transfers	(19,466)	19,466	-
Net assets released from restriction	4,585,442	(4,585,442)	-
Total Support and Revenue	5,409,574	20,580,551	25,990,125
EXPENSES			
Program	4,573,862	-	4,573,862
General and administrative	196,928	-	196,928
Fundraising	237,402	-	237,402
Total Expenses	5,008,192	-	5,008,192
Change in Net Assets	401,382	20,580,551	20,981,933
Net Assets - Beginning of Year	1,030,916	14,761,294	15,792,210
Net Assets - End of Year	\$ 1,432,298	\$ 35,341,845	\$ 36,774,143

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

Year Ended June 30, 2019	Program	General and Administrative	Fundraising	Total
Salaries	\$ 202,542	\$ 54,011	\$ 13,503	\$ 270,056
Employee benefits	61,259	13,351	3,927	78,537
Consulting and marketing	22,179	3,314	-	25,493
Accounting fees	-	4,840	-	4,840
Campus area expenses	3,837,011	-	-	3,837,011
Conferences, convention, and meetings	24,477	14,686	9,791	48,954
Memberships	3,521	2,113	768	6,403
Equipment rental and maintenance	2,083	2,976	893	5,952
In-kind	218,253	54,563	-	272,816
Planned giving	-	-	34,865	34,865
Postage, printing, and publications	4,768	3,034	867	8,669
Royalties	33,537	-	-	33,537
Scholarships	906,073	-	-	906,073
Special events	-	-	156,207	156,207
Supplies	16,017	3,003	1,001	20,021
Telephone	-	2,058	514	2,572
Other	43,774	8,966	-	52,740
Total	\$ 5,375,494	\$ 166,915	\$ 222,336	\$ 5,764,745

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

Year Ended June 30, 2018	Program	General and Administrative	Fundraising	Total
Salaries	\$ 219,375	\$ 58,500	\$ 14,625	\$ 292,500
Employee benefits	65,417	17,444	4,361	87,222
Consulting and marketing	13,110	3,916	-	17,026
Accounting fees	-	4,203	-	4,203
Campus area expenses	3,004,835	-	-	3,004,835
Conferences, convention, and meetings	18,790	8,541	6,833	34,164
Memberships	4,762	2,460	714	7,936
Equipment rental and maintenance	1,773	2,533	760	5,066
In-kind	284,887	71,222	-	356,109
Planned giving	-	-	43,106	43,106
Postage, printing, and publications	1,978	3,108	564	5,650
Royalties	32,847	-	-	32,847
Scholarships	873,434	-	-	873,434
Special events	-	-	164,598	164,598
Supplies	25,542	4,586	1,255	31,383
Taxes and licenses	1,546	-	-	1,546
Telephone	-	2,340	586	2,926
Other	25,566	18,075	-	43,641
Total	\$ 4,573,862	\$ 196,928	\$ 237,402	\$ 5,008,192

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

Year Ended June 30,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,765,233	\$ 20,981,933
Reconciliation to net cash provided (used) by operating activities:		
Net gain in the fair value of investments	(457,456)	(856,030)
Contributions restricted for endowments	(114,355)	(241,750)
Donation of property	-	(20,500,000)
Effect on changes in:		
Pledges receivable	(2,353,830)	(23,962)
Prepaid expenses	(24,323)	14,222
Accounts payable	61,381	327,106
Scholarships payable	(16,759)	97,544
Deferred revenue	8,739	(656)
Net Cash Provided (Used) by Operating Activities	<u>(131,370)</u>	<u>(201,593)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,564,549)	(2,053,023)
Proceeds from sale of investments	2,545,393	1,925,053
Net cash used in investing activities	<u>(19,156)</u>	<u>(127,970)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	114,355	241,750
Net Increase (Decrease) in Cash and Cash Equivalents	(36,171)	(87,813)
Cash and Cash Equivalents - Beginning of Year	<u>4,588,220</u>	<u>4,676,033</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,552,049</u>	<u>\$ 4,588,220</u>
Supplemental data for noncash investing activities:		
Donation of property	<u>\$ -</u>	<u>\$ (20,500,000)</u>

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: Hartnell College Foundation (the "Foundation") is a not-for-profit public benefit corporation organized to provide support to various programs and functions of Hartnell Community College District (the "District" or "College"), as well as to provide a link between the District and the community. The Foundation is considered a component unit of the District for financial reporting purposes and, accordingly, is reported as a discretely presented component unit in the District's financial statements.

The mission of Hartnell College Foundation is to cultivate resources to champion student success.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

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: The financial statements report amounts separately by class of net assets as follows:

- Net assets without donor restrictions are those resources that are currently available for operations.
- Net assets with donor restrictions are those resources which are stipulated by donors for various scholarships or other programmatic uses.

Endowment Funds: The Foundation accounts for its endowments in accordance with *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (Codification Topic 958-205). The Foundation's endowment currently consists of 81 individual funds established for the purpose of supporting education at the District. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction (a) the original value of gifts donated to the net assets with donor restriction endowment, (b) the original value of subsequent gifts to the net assets with donor restriction endowment, and (c) accumulations to the net assets with donor restriction 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 net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA.

The Foundation follows the Foundation's adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality investment instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Underwater Endowment Funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. The Foundation considers its endowments to be underwater if their fair value is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the endowment and (2) any accumulations to the endowment required to be held in perpetuity per donor direction. The Foundation had no underwater endowment funds at June 30, 2019 or 2018.

Donations: Donations are recognized as revenues in the period received. Donations are considered available for net assets without donor restrictions use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period the events occur.

Management Fee Income: The Foundation assessed a 1.5% management fee on all endowments. Income from this fee is without donor restriction and is used to support the Foundation's operations and mission.

Pledges Receivable: Pledges receivable consist of unconditional and conditional promises to give. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Pledges which are expected to be collected within one year are recorded at net realizable value. An allowance for uncollectible pledges receivable is established based upon estimated losses related to specific amounts and is recorded through a provision for bad debt which is charged to expense. At June 30, 2019 and 2018, management has determined that an allowance for uncollectible pledges is not considered necessary.

Pledges to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates commensurate with risks applicable in the years in which those promises are received. At June 30, 2019 and 2018, the Foundation has not applied a present value discount as the amount was not significant.

Concentration of Credit Risk: Cash balances held in banks are insured up to \$250,000 and are collateralized by the respective financial institution. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

At June 30, 2019 and 2018, the Foundation had deposits at financial institutions eligible for insurance coverage with carrying amounts of \$4,552,049 and \$4,588,220 and bank balances of \$5,248,001 and \$4,770,176, respectively. The total uninsured bank balances at June 30, 2019 and 2018 were \$2,574,053 and \$2,529,283, respectively.

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status: The United States Treasury Department determined that the Foundation is a nonprofit tax-exempt corporation as defined by Internal Revenue Code Section 501(c)(3). A similar determination was made by the California Franchise Tax Board under Section 237 of the State Revenue and Taxation code.

In 2003, the Foundation Board of Directors approved the 501(h)-lobby election of the Internal Revenue Code. Such status provides the Foundation with the ability to participate in the public policy process through lobbying and advocacy campaigns but limits the Foundation's expenses for this purpose to a maximum of 20% of the first \$500,000 of annual expenditures.

The Foundation has accounted for uncertainty in income taxes as required by the *Accounting for Uncertainty in Income Taxes* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Foundation uses a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The effect of applying this model and the resulting identification of uncertain tax positions, if any, were not considered significant for financial reporting purposes. The Foundation is not subject to any tax liability. Management does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the year ended June 30, 2019 and 2018, the Foundation did not recognize any interest or penalties. The Foundation is subject to the filing of U.S. Federal and California informational returns. Federal returns for 2015 through 2017 and California return for 2014 through 2017 are currently open for potential Federal and State examination.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities whereby significant changes were proposed in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Hartnell College Foundation began the implementation of the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities as of fiscal year 2018-19.

The new standard changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been predominantly combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been transferred into net assets without donor restrictions.
- Investment earnings and related expenses have been combined into a single net activity line item called net investment return.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30:

	2019	2018
Pledges receivable	\$ 4,371,826	\$ 2,017,996
Less pledges receivable, current	(1,810,160)	(1,512,996)
Pledges receivable, noncurrent	<u>\$ 2,561,666</u>	<u>\$ 505,000</u>

Pledges receivable reported as noncurrent are expected to be received within the next five years.

**HARTNELL COLLEGE FOUNDATION
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

NOTE 3 – 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.

	2019	2018
Financial assets, at year-end:		
Cash and cash equivalents	\$ 4,552,049	\$ 4,588,220
Grants/pledges receivable	4,371,826	2,017,996
Investments	10,877,736	10,401,126
Total financial assets, at year-end	\$ 19,801,611	\$ 17,007,342
Restrictions for specific purposes:		
Board designated	\$ 508,487	\$ 249,918
Donor designated	18,530,889	16,024,225
Total contractual or donor-imposed restrictions	19,039,376	16,274,143
Financial assets available to meet cash needs for general expenditure within one year	\$ 762,235	\$ 733,199

NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments consist of the following at June 30:

	2019	2018
Fixed Income	\$ 1,814,343	\$ 1,610,823
Equity securities	8,583,758	8,329,524
Mutual funds	125,792	126,606
Investment Foundation for California Community Colleges Scholarships Endowment (FCCC/Osher)	353,843	334,173
Total	\$ 10,877,736	\$ 10,401,126

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. At June 30, 2019 and 2018, the Foundation investment in the pool consisted of 4% and 4% cash and short-term investments, 17% and 16% fixed income securities, and 79% and 80% equity securities, respectively.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018, 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, 2019, and 2018, the carrying amounts of cash and cash equivalents and accounts payable approximate fair value because of the relatively short maturities of these financial instruments. The fair value of other financial instruments is disclosed more fully in Note 4.

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

	June 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Investment securities;				
Fixed Income	\$ 1,814,343	\$ 1,814,343	\$ -	\$ -
Equity securities	8,583,758	8,583,758	-	-
Mutual funds	125,792	125,792	-	-
Investment in FCCC/Osher*	353,843	-	-	-
Total investment securities	<u>\$ 10,877,736</u>	<u>\$ 10,523,893</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Investment securities;				
Fixed Income	\$ 1,610,823	\$ 1,610,823	\$ -	\$ -
Equity securities	8,329,524	8,329,524	-	-
Mutual funds	126,606	126,606	-	-
Investment in FCCC/Osher*	334,173	-	-	-
Total investment securities	<u>\$ 10,401,126</u>	<u>\$ 10,066,953</u>	<u>\$ -</u>	<u>\$ -</u>

*Investments measured at fair value using net asset value (“NAVs”) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

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NOTE 4 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

The fair value of the investments held by FCCC was based upon the NAVs of the assets at June 30, 2019 and 2018. 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 5 – LAND HELD FOR INVESTMENT

During the year ended June 30, 2018, the Foundation received a donation of land with an appraised value of \$20,500,000. The donation is a net asset with donor restrictions and is held for future sale. The proceeds from the sale will be maximized for the best interests of the College, Foundation and students.

NOTE 6 – ADMINISTRATIVE EXPENSES

The Foundation's Statements of Activities include in-kind contributions from the District totaling \$229,485 for the year ended June 30, 2019 and \$212,193 for the year ended June 30, 2018. 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 employee's salaries and benefits

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NOTE 7 – NET ASSETS

Changes in net assets with and without donor restrictions for the fiscal year ended June 30, consisted of the following:

Year Ended June 30,	2019	2018
Academic program	\$ 27,283,482	\$ 25,169,514
Scholarships and grants - endowed funds	10,042,425	9,862,491
Scholarships and grants - nonendowed funds	376,565	233,625
Federal Gear Up grant	79,501	76,215
Total Net Assets with Donor Restrictions	\$ 37,781,973	\$ 35,341,845

Changes in endowment net assets for the fiscal year ended June 30, consisted to the following:

Year Ended June 30, 2019	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 9,862,491	\$ 9,862,491
Change in fair value of investments	-	152,034	152,034
Investment income	-	280,402	280,402
Contributions	-	114,355	114,355
Transfers and adjustments	-	63,734	63,734
Appropriation of endowment assets for expenditure	-	(430,591)	(430,591)
Endowment net assets, end of year	\$ -	\$ 10,042,425	\$ 10,042,425

Year Ended June 30, 2018	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 535,697	\$ 9,016,225	\$ 9,551,922
Change in fair value of investments	44,942	796,303	841,245
Investment income	7,660	139,179	146,839
Contributions	-	241,750	241,750
Transfers and adjustments	(588,299)	-	(588,299)
Appropriation of endowment assets for expenditure	-	(330,966)	(330,966)
Endowment net assets, end of year	\$ -	\$ 9,862,491	\$ 9,862,491

NOTE 8 – SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2019 to October 27, 2019, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosed.