



Financial Statements  
June 30, 2019 and 2018

Community College Foundation of  
North Orange County  
(A California Nonprofit Corporation)

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
(A California Nonprofit Corporation)**

**JUNE 30, 2019 AND 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Community College Foundation of North Orange County  
Anaheim, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Community College Foundation of North Orange County (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

## **Opinion**

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

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018, financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

## **Prior Period Financial Statements**

The financial statements of the Foundation as of and for the year ended June 30, 2018 were audited by other auditors who joined Eide Bailly LLP on July 22, 2019, and whose report dated December 5, 2018 expressed an unmodified opinion on those statements.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
January 31, 2020

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
(A California Nonprofit Corporation)**

**STATEMENTS OF FINANCIAL POSITION  
JUNE 30,**

	2019	2018
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 102,180	\$ 109,797
Noncurrent Assets		
Investments	101,366	104,805
Total Assets	\$ 203,546	\$ 214,602
 <b>NET ASSETS</b>		
Without donor restrictions	\$ 31,573	\$ 56,322
With donor restrictions	171,973	158,280
Total Net Assets	\$ 203,546	\$ 214,602

See the accompanying notes to financial statements.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
(A California Nonprofit Corporation)**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 2,067	\$ 25,000	\$ 27,067
Assets released from restrictions	15,867	(15,867)	-
Total Revenues	17,934	9,133	27,067
EXPENSES			
Program expenses			
District support	28,195	-	28,195
Scholarships and grants	14,817	-	14,817
Total Expenses	43,012	-	43,012
OTHER INCOME			
Interest	329	4,560	4,889
TRANSFERS	-	-	-
CHANGE IN NET ASSETS	(24,749)	13,693	(11,056)
NET ASSETS, BEGINNING OF YEAR	56,322	158,280	214,602
NET ASSETS, END OF YEAR	\$ 31,573	\$ 171,973	\$ 203,546

See the accompanying notes to financial statements.

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 31,160	\$ -	\$ 31,160
2,532	(2,532)	-
<u>33,692</u>	<u>(2,532)</u>	<u>31,160</u>
37,074	-	37,074
5,691	-	5,691
<u>42,765</u>	<u>-</u>	<u>42,765</u>
205	4,400	4,605
<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
(18,868)	11,868	(7,000)
75,190	146,412	221,602
<u>\$ 56,322</u>	<u>\$ 158,280</u>	<u>\$ 214,602</u>

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
**(A California Nonprofit Corporation)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>\$ (11,056)</u>	<u>\$ (7,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investments	<u>3,439</u>	<u>(1,947)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,617)	(8,947)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>109,797</u>	<u>118,744</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 102,180</u></u>	<u><u>\$ 109,797</u></u>

See the accompanying notes to financial statements.



**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Organization and Nature of Activities**

The Community College Foundation of North Orange County (the Foundation) is a nonprofit public benefit corporation founded on September 8, 1987, with the express purpose of promoting and assisting the educational programs of North Orange County Community College District (the District) in accordance with the mission, policies, and priorities of the District. The Foundation is an independent foundation established under the laws of the State of California.

**Financial Statement Presentation**

The Foundation and the District are financial interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

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 (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-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 restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

*Net Assets With Donor Restrictions* - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**Revenue and Revenue Recognition**

The Foundation receives substantially all of its revenue from direct donations and pledges. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) is reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

**Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis.

**Use of Estimates**

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

**Income Taxes**

The Foundation is a nonprofit 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.

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.

The Foundation's Federal informational tax returns for the years ended June 30, 2016, 2017, and 2018, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2015, 2016, 2017, and 2018, are open to audit by State authorities.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. As of June 30, 2019 and June 30, 2018, all amounts held by the Foundation were fully insured.

**Allocation of Functional Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, there are no shared cost among the programs and support services that require allocation.

**Accounting Pronouncements Adopted**

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Under this guidance, the Foundation is required to present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the previously required three classes (unrestricted, temporarily restricted, and permanently restricted).

The Foundation has implemented the provisions of this ASU as of June 30, 2019, because management believes it improves the Foundation's financial reporting.

**New Accounting Pronouncements**

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). 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. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Foundation currently has no leases. The future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to any facility and other leases it may enter into.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution; helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation; and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in ASU 2018-08 apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

**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 comprise of the following:

	2019	2018
Cash and cash equivalents	\$ 16,949	\$ 41,940
Investments	14,624	14,382
Total Financial Assets Available Within One Year	\$ 31,573	\$ 56,322

**Liquidity Management**

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

**NOTE 3 - INVESTMENTS**

Investments in equity securities with readily determinable fair values are carried at fair value. Fair value is determined using quoted market prices (where available) or, if not available, estimated fair values are determined based on quoted market prices of financial instruments with similar characteristics. All other investments are carried at the lower of cost or market. Recognized gains and losses on investments are reflected in the statement of activities. Dividends and interest income are recorded during the period earned.

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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2019 and 2018:

	2019	
	Adjusted Cost	Fair Market Value
Certificates of Deposit	\$ 101,366	\$ 101,366
	2018	
	Adjusted Cost	Fair Market Value
Certificates of Deposit	\$ 104,805	\$ 104,805

**NOTE 4 - INVESTMENT SECURITIES**

**Market Value of Financial Assets and Liabilities**

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

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. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

The following tables present the balances of the assets measured at fair value on a recurring basis as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Assets	<u>Level 1</u>	<u>Level 1</u>
Certificates of Deposit	<u>\$ 101,366</u>	<u>\$ 104,805</u>

The Foundation did not have any assets or liabilities recorded at fair value on a non-recurring basis for June 30, 2019 and 2018.

***NOTE 5 - RELATED PARTY TRANSACTIONS***

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as program expenses. The District provides donated time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. These services have not been recorded in the financial statements since there is no readily determined method of valuing services and the amount is minimal.

**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2019:

	Balance July 1, 2018	Net Change	Balance June 30, 2019
Walt Pray Memorial Scholarship Fund	\$ 22,383	\$ 1,309	\$ 23,692
Nilane Lee Scholarship Fund	25,100	(2,725)	22,375
R2A Book Award Fund	3,439	(2,470)	969
SCE Wilshire Players Fund	883	-	883
Community College Foundation of North Orange County	-	20,364	20,364
SCE Sydney Shue Scholarship Fund	1,464	(401)	1,063
Ned Doffoney Scholarship Fund	3,035	(125)	2,910
Dr. McGuire Scholarship	1,007	16	1,023
SCE Christine Terry Fund	15,969	(2,275)	13,694
Total Donor-Restricted Net Assets	<u>\$ 73,280</u>	<u>\$ 13,693</u>	<u>\$ 86,973</u>

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2018:

	Balance July 1, 2017	Net Change	Balance June 30, 2018
Walt Pray Memorial Scholarship Fund	\$ 20,471	\$ 1,912	\$ 22,383
Nilane Lee Scholarship Fund	24,119	981	25,100
R2A Book Award Fund	3,410	29	3,439
SCE Wilshire Players Fund	882	1	883
SCE Sydney Shue Scholarship Fund	1,565	(101)	1,464
Ned Doffoney Scholarship Fund	3,410	(375)	3,035
Dr. McGuire Scholarship	996	11	1,007
SCE Christine Terry Fund	6,559	9,410	15,969
Total Donor-Restricted Net Assets	<u>\$ 61,412</u>	<u>\$ 11,868</u>	<u>\$ 73,280</u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2019:

	Balance July 1, 2018	Net Change	Balance June 30, 2019
Walt Pray Memorial Scholarship Fund	\$ 20,000	\$ -	\$ 20,000
Nilane Lee Scholarship Fund	65,000	-	65,000
Total Donor-Restricted Net Assets	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 85,000</u>

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**NOTES TO FINANCIAL STATEMENTS  
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Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2018:

	Balance July 1, 2017	Net Change	Balance June 30, 2018
Walt Pray Memorial Scholarship Fund	\$ 20,000	\$ -	\$ 20,000
Nilane Lee Scholarship Fund	65,000	-	65,000
Total Donor-Restricted Net Assets	\$ 85,000	\$ -	\$ 85,000

***NOTE 7 - DONOR DESIGNATED ENDOWMENTS***

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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. At June 30, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts 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. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The mission of the Foundation and the purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and/or deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. The investment policy of the Foundation

**Risk Objectives and Risk Parameters**

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prudently invest in financial instruments which provide a reasonable measure of principal stability. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation targets a diversified asset allocation within prudent risk constraints.



**COMMUNITY COLLEGE FOUNDATION OF NORTH ORANGE COUNTY**  
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**NOTES TO FINANCIAL STATEMENTS**  
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Endowment net assets as of June 30, 2019, are as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$ 85,000</u>

Endowment net assets as of June 30, 2018, are as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	<u>\$ 85,000</u>

**NOTE 8 - ADJUSTMENT RESULTING FROM CHANGE IN ACCOUNTING PRINCIPLE**

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of June 30, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018, net assets.

The effect on the Foundation's statement of activities as of June 30, 2018, is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Net Assets, End of the Year			
Unrestricted	\$ 56,322	\$ (56,322)	\$ -
Temporarily restricted net assets	73,280	(73,280)	-
Permanently restricted net assets	85,000	(85,000)	-
Net assets without donor restrictions	-	56,322	56,322
Net assets with donor restrictions	-	158,280	158,280

**NOTE 9 - SUBSEQUENT EVENTS**

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through January 31, 2020, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.