

**FULLERTON COLLEGE FOUNDATION**

**(A California Nonprofit Corporation)**

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**ANNUAL FINANCIAL REPORT  
WITH  
INDEPENDENT AUDITOR'S REPORT**

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**JUNE 30, 2018**

**FULLERTON COLLEGE FOUNDATION  
(A California Nonprofit Corporation)**

**JUNE 30, 2018**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Fullerton College Foundation  
Fullerton, California

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

We have audited the accompanying financial statements of the Fullerton College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation as of June 30, 2018, 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Vavonek Tume Day & Co LLP*

Rancho Cucamonga, California  
November 29, 2018

**FULLERTON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

Current Assets

Cash - unrestricted	\$ 208,899
Prepaid expense	8,000
Total Current Assets	216,899

Noncurrent Assets

Beneficial interest in assets held by the Foundation for California Community Colleges	216,316
Investments	1,630,102
Property and equipment	21,102
Accumulated depreciation	(9,218)
Net property and equipment	11,884
Website costs	4,500
Amortization	(4,500)
Total Noncurrent Assets	1,858,302
Total Assets	\$ 2,075,201

**LIABILITIES AND NET ASSETS**

Current Liabilities

Payroll liabilities	2,931
Amounts held for others	96,845
Compensated absences	24,406
Total Current Liabilities	124,182

**NET ASSETS (DEFICIT)**

Unrestricted	(1,760,137)
Temporarily restricted	476,642
Permanently restricted	3,234,514
Total Net Assets	1,951,019
Total Liabilities and Net Assets	\$ 2,075,201

See the accompanying notes to financial statements.

**FULLERTON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES</b>				
Contributions	\$ 39,358	\$ 126,176	\$ 100,412	\$ 265,946
Special events	67,259	-	-	67,259
Miscellaneous revenue	1,574	-	-	1,574
Assets released from restrictions	262,078	(257,078)	(5,000)	-
<b>Total Revenues</b>	<u>370,269</u>	<u>(130,902)</u>	<u>95,412</u>	<u>334,779</u>
<b>EXPENSES</b>				
Operating expenses	283,949	-	-	283,949
Program expenses	271,310	-	-	271,310
Fundraising expenses	53,495	-	-	53,495
<b>Total Expenses</b>	<u>608,754</u>	<u>-</u>	<u>-</u>	<u>608,754</u>
<b>OTHER INCOME (EXPENSE)</b>				
Net realized gain (loss)	(24,105)	18,263	-	(5,842)
Net unrealized gain	29,265	3,370	-	32,635
Interest and dividends	54,426	29,436	-	83,862
<b>Total Other Income (Expense)</b>	<u>59,586</u>	<u>51,069</u>	<u>-</u>	<u>110,655</u>
<b>CHANGE IN NET ASSETS</b>	(178,899)	(79,833)	95,412	(163,320)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>(1,581,238)</u>	<u>556,475</u>	<u>3,139,102</u>	<u>2,114,339</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ (1,760,137)</u>	<u>\$ 476,642</u>	<u>\$ 3,234,514</u>	<u>\$ 1,951,019</u>

See the accompanying notes to financial statements.

**FULLERTON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (163,320)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities	
Unrealized gain	(32,635)
Net realized loss	5,842
Depreciation and amortization	1,830
Contributions and grants restricted for long-term purposes	(226,588)
Changes in Assets and Liabilities	
Accounts receivable	27,800
Prepaid expense	(8,000)
Payroll liabilities	1,699
Accounts payable	(1,369)
Amounts held for others	(533)
Net Cash Flows From Operating Activities	(395,274)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	(9,905)
Proceeds from sale of investments	407,010
Purchase of investments	(26,947)
Net Cash Flows From Investing Activities	370,158

CASH FLOWS FROM FINANCING ACTIVITIES

Collections of contributions and grants restricted for long-term purposes	226,588
Net Cash Flows From Investing Activities	226,588

CHANGE IN UNRESTRICTED CASH AND CASH  
EQUIVALENTS

201,472

UNRESTRICTED CASH AND CASH EQUIVALENTS,  
BEGINNING OF YEAR

7,427

UNRESTRICTED CASH AND CASH EQUIVALENTS,  
END OF YEAR

\$ 208,899

See the accompanying notes to financial statements.

**FULLERTON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Operating</u>	<u>Program</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 199,058	\$ -	\$ 53,495	\$ 252,553
In-kind donations	4,225	-	-	4,225
Scholarships	-	271,310	-	271,310
Office expense	4,446	-	-	4,446
Staff development	350	-	-	350
Conferences and travel	3,104	-	-	3,104
Dues, memberships, and subscriptions	775	-	-	775
Professional fees	9,594	-	-	9,594
Postage and printing	1,418	-	-	1,418
Taxes and licenses	261	-	-	261
Special events	38,366	-	-	38,366
Website	11,320	-	-	11,320
Advertising	832	-	-	832
Bank charges	770	-	-	770
Depreciation expense	1,830	-	-	1,830
Insurance	3,752	-	-	3,752
Public relations	3,558	-	-	3,558
Miscellaneous	290	-	-	290
TOTAL EXPENSES	<u>\$ 283,949</u>	<u>\$ 271,310</u>	<u>\$ 53,495</u>	<u>\$ 608,754</u>

See the accompanying notes to financial statements.



**FULLERTON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Organization and Nature of Activities**

Fullerton College Foundation (the Foundation) is a nonprofit organization founded in 1959 for the purpose of promoting Fullerton College and enhancing the lives of its students by raising and accepting resources for scholarships, grants, programmatic, and institutional support.

**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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. 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.

**Fair Value Measurements**

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their varying amounts due to the shorter maturities of these instruments.

**Public Support and Revenue**

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets 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) are 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.

**FULLERTON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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. For June 30, 2018, there were \$4,225 in donated items for the President's Gala.

**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 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 for the years ended June 30, 2015, 2016, and 2017, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2014, 2015, 2016, and 2017, are open to audit by State authorities.

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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2018, the Foundation did not have any cash balances held in financial institutions in excess of Federal depository insurance coverage.

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**Prepaid Expense**

Prepaid expenses consist of expenses paid for the upcoming 2018 Fullerton College President's Gala. As of June 30, 2018, the Foundation recognized \$8,000.

**FULLERTON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**Investments**

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2018 was \$832.

**Capital Assets**

Property, equipment, and improvements are recorded at cost. Depreciation expense is calculated over the estimated useful life of the assets using the straight-line method. Depreciation expense for 2018 amounted to \$1,830.

**Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, support services, and fundraising activities.

**New Accounting Pronouncements**

In August 2016, the FASB issued 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 change 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. Early application of the amendments is permitted. The Foundation has not yet completed its assessment of the impact of this guidance on its financial statements. Under this guidance, the Foundation will be required to present two classes of net assets (net assets with donor restrictions and net assets without 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 current required three classes (unrestricted, temporarily restricted, and permanently restricted).

**FULLERTON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

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

**NOTE 2 - RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at June 30, 2018:

Scholarships	\$ 212,053
Title V Grant	264,589
Total Temporarily Restricted Net Assets	\$ 476,642

Permanently restricted net assets consist of the following at June 30, 2018:

Donor designated endowments	\$ 3,018,198
Osher endowment	216,316
Total Permanently Restricted Net Assets	\$ 3,234,514

**NOTE 3 - INVESTMENTS**

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

	Adjusted Cost	Fair Market Value	Unrealized Gain
Common stock	\$ 288	\$ 369	\$ 81
Mutual funds	1,597,179	1,629,733	32,554
	\$ 1,597,467	\$ 1,630,102	\$ 32,635

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 54,426	\$ 29,436	\$ 83,862
Net unrealized gain	29,265	3,370	32,635
Net realized gain (loss)	(24,105)	18,263	(5,842)
	\$ 59,586	\$ 51,069	\$ 110,655

**FULLERTON COLLEGE FOUNDATION**  
**(A California Nonprofit Corporation)**

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

***NOTE 4 - 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 \$189,648. As of June 30, 2018, the ending balance of the Osher Endowment Scholarship was \$189,648. 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.

In 2010, Sempra Energy Foundation provided a total of \$250,000 in grants to ten community colleges in California to provide scholarship support for students seeking certification of training for "green" jobs. Each of the selected ten colleges received \$25,000 in scholarships. As of June 30, 2018, the ending balance of the Sempra Endowment Scholarship was \$26,668. The scholarship is held at the FCCC. The Foundation receives no additional interest or dividends on the balances held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Sempra Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

***NOTE 5 - 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.

**FULLERTON COLLEGE FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2018.

Assets	Level 1
Common stock	\$ 369
Mutual funds	1,629,733
Total	\$ 1,630,102

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Depreciable Capital Assets				
Furniture and fixtures	\$ 2,810	\$ 3,039	\$ -	\$ 5,849
Machinery and equipment	8,387	1,817	-	10,204
Franklin House upgrades	-	5,049	-	5,049
Total Depreciable Capital Assets	11,197	9,905	-	21,102
Less accumulated depreciation	(7,388)	(1,830)	-	(9,218)
Total Capital Assets	\$ 3,809	\$ 8,075	\$ -	\$ 11,884

Depreciation expense of \$1,830 was incurred for the year ending June 30, 2018.

**NOTE 7 - COMPENSATED ABSENCES**

Salaried employees of the Foundation receive paid vacation, which is accrued as a liability as the benefits are earned. At June 30, 2018, the unmatured portion of employee accumulated unused vacation is \$24,406.

**NOTE 8 - AMOUNTS HELD FOR OTHERS**

The Foundation acts as a fiscal agent for departments, organizations, and groups of the College. Accordingly, at June 30, 2018, \$96,845, respectively, of the Foundation's assets belong to other parties. The Foundation does not have legal access nor any discretion over the amounts held for others behalf.

**FULLERTON COLLEGE FOUNDATION  
(A California Nonprofit Corporation)**

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

***NOTE 9 - ENDOWMENT GRANT***

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received \$266,573 over a five-year period, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50 percent of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

***NOTE 10 - DONOR DESIGNATED ENDOWMENTS***

Endowment net asset composition by type of fund as of June 30, 2018, is as follows:

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	<u>\$ 3,018,198</u>

Changes in endowment net assets as of June 30, 2018, are as follows:

	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$ 2,917,786
Contributions	<u>100,412</u>
Endowment net assets, end of year	<u>\$ 3,018,198</u>

***NOTE 11 - SUBSEQUENT EVENTS***

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through November 29, 2018, 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.



VAVRINEK, TRINE, DAY & CO., LLP  
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors  
Fullerton College Foundation  
Fullerton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Fullerton College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated November 29, 2018.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavreck Tume Day & Co LLP*

Rancho Cucamonga, California  
November 29, 2018