



Financial Statements
June 30, 2020 and 2019

Santa Ana College Foundation

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Independent Auditor's Report

The Board of Directors
Santa Ana College Foundation
Santa Ana, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
January 19, 2021

Santa Ana College Foundation
 Statements of Financial Position
 June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,322,177	\$ 774,441
Investments	144,100	143,181
Accounts receivable	9,500	5,000
Prepaid expenses	532	-
Total current assets	1,476,309	922,622
Noncurrent assets		
Investments	9,856,291	10,033,298
Property and equipment (net of accumulated depreciation)	2,855	3,977
Total noncurrent assets	9,859,146	10,037,275
Total assets	\$ 11,335,455	\$ 10,959,897
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 24,356	\$ 5,639
Net Assets		
Without donor restrictions	1,515,501	1,634,514
With donor restrictions	9,795,598	9,319,744
Total net assets	11,311,099	10,954,258
Total liabilities and net assets	\$ 11,335,455	\$ 10,959,897

Santa Ana College Foundation
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 43,698	\$ 842,489	\$ 886,187
President's Circle	106,700	-	106,700
Donated salaries and benefits	516,287	-	516,287
Donated facilities	28,475	-	28,475
In-kind donations	-	34,524	34,524
Stewardship and administrative fee	114,782	-	114,782
Indirect cost revenues	45,950	-	45,950
Special events	-	67,900	67,900
Assets released from restrictions	888,199	(888,199)	-
Total revenues	<u>1,744,091</u>	<u>56,714</u>	<u>1,800,805</u>
Expenses			
Program	1,101,892	-	1,101,892
Management and general	291,420	-	291,420
Fundraising	531,913	-	531,913
Total expenses	<u>1,925,225</u>	<u>-</u>	<u>1,925,225</u>
Other Income			
Realized gain on sale of investments	23,923	60,741	84,664
Unrealized gain on investments, net	5,729	155,127	160,856
Interest and dividends, net of fees	32,469	203,272	235,741
Total other income	<u>62,121</u>	<u>419,140</u>	<u>481,261</u>
Change in Net Assets	(119,013)	475,854	356,841
Net Assets, Beginning of Year	<u>1,634,514</u>	<u>9,319,744</u>	<u>10,954,258</u>
Net Assets, End of Year	<u><u>\$ 1,515,501</u></u>	<u><u>\$ 9,795,598</u></u>	<u><u>\$ 11,311,099</u></u>

Santa Ana College Foundation
Statements of Activities
Years Ended June 30, 2020 and 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 13,809	\$ 468,694	\$ 482,503
President's Circle	112,850	-	112,850
Donated salaries and benefits	491,570	-	491,570
Donated facilities	27,164	-	27,164
In-kind donations	100	21,915	22,015
Stewardship and administrative fee	103,426	-	103,426
Indirect cost revenues	-	35,563	35,563
Special events	-	61,769	61,769
Assets released from restrictions	846,984	(846,984)	-
Total revenues	1,595,903	(259,043)	1,336,860
Expenses			
Program	948,250	-	948,250
Management and general	276,928	-	276,928
Fundraising	378,336	-	378,336
Total expenses	1,603,514	-	1,603,514
Other Income			
Realized gain on sale of investments	1,711	12,523	14,234
Unrealized gain on investments, net	52,813	395,263	448,076
Interest and dividends, net of fees	30,839	169,057	199,896
Total other income	85,363	576,843	662,206
Change in Net Assets	77,752	317,800	395,552
Net Assets, Beginning of Year	1,556,762	9,001,944	10,558,706
Net Assets, End of Year	\$ 1,634,514	\$ 9,319,744	\$ 10,954,258

Santa Ana College Foundation
 Statements of Functional Expenses
 Years Ended June 30, 2020 and 2019

	2020			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 99,173	\$ 216,351	\$ 200,763	\$ 516,287
Donated facilities	4,983	14,238	9,254	28,475
Salaries and benefits	106,201	35,531	13,096	154,828
In-kind donations	34,524	-	-	34,524
Scholarships and grants	425,803	-	-	425,803
Stipends to students	129,903	-	-	129,903
Services - other	-	7,300	-	7,300
Office expenses	38,915	5,634	36,058	80,607
Printing	308	18	17,868	18,194
Telephone	-	1,260	-	1,260
Information technology	16,374	-	-	16,374
Conferences and travel	6,760	-	9,377	16,137
Equipment lease and maintenance	2,035	-	-	2,035
Membership dues and subscriptions	-	4,500	-	4,500
Advertising and promotion	-	-	3,149	3,149
Depreciation	-	1,122	-	1,122
Stewardship and administrative fee	114,782	-	-	114,782
Indirect cost fees	-	-	3,000	3,000
Lobbying expenses	-	-	175,000	175,000
College support	19,624	1,997	3,700	25,321
Contract services	83,758	537	39,346	123,641
Other expenses	18,749	2,932	21,302	42,983
Total expenses	\$ 1,101,892	\$ 291,420	\$ 531,913	\$ 1,925,225

Santa Ana College Foundation
 Statements of Functional Expenses
 Years Ended June 30, 2020 and 2019

	2019			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 93,202	\$ 212,567	\$ 185,801	\$ 491,570
Donated facilities	4,754	13,582	8,828	27,164
Salaries and benefits	44,992	28,568	10,653	84,213
In-kind donations	22,015	-	-	22,015
Scholarships and grants	379,469	-	-	379,469
Stipends to students	119,200	-	628	119,828
Services - other	-	5,671	-	5,671
Office expenses	43,533	5,549	69,059	118,141
Printing	4,073	41	17,505	21,619
Telephone	25	1,260	-	1,285
Information technology	12,972	288	-	13,260
Conferences and travel	23,525	-	7,200	30,725
Equipment lease and maintenance	6,037	-	4,952	10,989
Membership dues and subscriptions	3,971	328	-	4,299
Advertising and promotion	-	-	2,440	2,440
Depreciation	1,404	-	-	1,404
Stewardship and administrative fee	103,425	-	-	103,425
Indirect cost fees	-	-	-	-
Lobbying expenses	-	-	-	-
College support	37,662	1,315	12,293	51,270
Contract services	27,299	-	45,000	72,299
Other expenses	20,692	7,759	13,977	42,428
Total expenses	\$ 948,250	\$ 276,928	\$ 378,336	\$ 1,603,514

Santa Ana College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 356,841	\$ 395,552
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gain on investments	(160,856)	(448,076)
Realized gain on investments	(84,664)	(14,234)
Depreciation	1,122	1,404
Changes in assets and liabilities		
Accounts receivable	(4,500)	28,500
Prepaid accounts	(532)	1,919
Accounts payable	18,717	(19,828)
Net Cash Flows from Operating Activities	126,128	(54,763)
Cash Flows from Investing Activities		
Proceeds from sales of investments	3,934,801	5,515,613
Purchase of investments	(3,513,193)	(5,242,503)
Net Cash Flows From Investing Activities	421,608	273,110
Net Increase in Cash and Cash Equivalents	547,736	218,347
Cash and Cash Equivalents, Beginning of Year	774,441	556,094
Cash and Cash Equivalents, End of Year	\$ 1,322,177	\$ 774,441

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

Santa Ana College Foundation (the Foundation) is a nonprofit organization founded in 1968 for the purpose of receiving contributions for the support and advancement of education on behalf of Santa Ana College (the College). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College.

Financial Statement Presentation

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

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

Net Asset 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 represents all resources over which the Board of Directors has discretionary control for use towards scholarships, as well as all property, plant, and equipment of the Foundation.

Net Assets with Donor Restrictions – Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. The fair value of investments in partnerships and real estate held as investments is estimated using private valuations of the securities or properties held. 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 carrying amounts due to the short maturities of these instruments.

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. 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) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue 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.

Donated Assets, Services, Facilities, and In-Kind Contributions

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements because the recognition criteria were not met.

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.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, 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, and those differences could be material.

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, 2017, 2018, and 2019, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2016, 2017, 2018, and 2019, are open to audit by State authorities.

Advertising Costs

Costs associated with advertising are expensed as incurred. At June 30, 2020 and 2019, total advertising costs were \$3,149 and \$2,440, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2020 and 2019, the Foundation had cash balances of \$826,182 and \$318,208, respectively, held in financial institutions in excess of Federal depository insurance coverage.

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 (interest and dividends) is included in the change in net assets from operations unless the gain or loss is restricted by donor or law.

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. At June 30, 2020 and 2019, the Foundation had investment balances in the amount of \$9,172,971 and \$9,351,803, respectively, held in the financial institution in excess of the SIPC coverage.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debts. At June 30, 2020 and 2019, management had determined all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Property and Equipment

The Foundation's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. The assets are stated at cost, or if donated, at estimated fair value on the date of donation. Depreciation for equipment and leasehold improvements is computed on a straight-line basis over an estimated useful life of three to five years.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, based upon management's estimates, certain costs have been allocated among the programs, management and general, and fundraising activities. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Change in Accounting Principle

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

Recent 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. Although the full impact of ASU 2016-02 on the Foundation’s financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

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

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

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

Note 2 - Liquidity and Availability

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

	2020	2019
Cash and cash equivalents	\$ 1,322,177	\$ 774,441
Investments	204,793	856,735
Accounts receivable	9,500	5,000
Total financial assets available within one year	\$ 1,536,470	\$ 1,636,176

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 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2020:

Scholarships	\$	1,464,401
Student assistance		2,016,493
Title V endowment grant		<u>848,272</u>
Total donor-restricted net assets	\$	<u><u>4,329,166</u></u>

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

Scholarships	\$	1,292,427
Student assistance		1,751,220
Title V endowment grant		<u>820,665</u>
Total donor-restricted net assets	\$	<u><u>3,864,312</u></u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2020:

Endowed scholarships	\$	3,466,432
Santa Ana Partnership - Award for Innovation		<u>2,000,000</u>
Total donor-restricted net assets	\$	<u><u>5,466,432</u></u>

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

Endowed scholarships	\$	3,455,432
Santa Ana Partnership - Award for Innovation		<u>2,000,000</u>
Total donor-restricted net assets	\$	<u><u>5,455,432</u></u>

Note 4 - Investments

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

	Adjusted Cost	Fair Market Value	Unrealized Gain
Certificates of deposit	\$ 327,420	\$ 327,420	\$ -
Bonds	3,188,217	3,243,504	55,287
Equity securities	2,405,264	2,445,434	40,170
Real estate	11,959	11,959	-
Exchange traded funds	3,906,675	3,972,074	65,399
	<u>\$ 9,839,535</u>	<u>\$ 10,000,391</u>	<u>\$ 160,856</u>

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

	Adjusted Cost	Fair Market Value	Unrealized Gain
Certificates of deposit	\$ 324,676	\$ 324,676	\$ -
Bonds	3,357,517	3,516,988	159,471
Equity securities	3,031,926	3,177,077	145,151
Real estate	11,961	11,961	-
Exchange traded funds	3,002,323	3,145,777	143,454
	<u>\$ 9,728,403</u>	<u>\$ 10,176,479</u>	<u>\$ 448,076</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2020 and 2019:

	2020	2019
Realized gain on investments	\$ 84,664	\$ 14,234
Unrealized gain on investments	160,856	448,076
Interest and dividends	286,608	249,886
Total investment income	532,128	712,196
Investment expenses	(50,867)	(49,990)
Total investment income, net of expenses	<u>\$ 481,261</u>	<u>\$ 662,206</u>

Note 5 - Fair Value Measurements and Disclosures

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

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

	Level 1	Level 2	Total
Assets			
Certificates of deposit	\$ 327,420	\$ -	\$ 327,420
Bonds	3,243,504	-	3,243,504
Equity securities	2,445,434	-	2,445,434
Real estate	-	11,959	11,959
Exchange traded funds	3,972,074	-	3,972,074
	<u>\$ 9,988,432</u>	<u>\$ 11,959</u>	<u>\$ 10,000,391</u>

The Foundation has no assets or liabilities recorded at fair value on a non-recurring bases as of June 30, 2020.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets			
Certificates of deposit	\$ 324,676	\$ -	\$ 324,676
Bonds	3,516,988	-	3,516,988
Equity securities	3,177,077	-	3,177,077
Real estate	-	11,961	11,961
Exchange traded funds	3,145,777	-	3,145,777
	<u>3,145,777</u>	<u>-</u>	<u>3,145,777</u>
Total	<u>\$ 10,164,518</u>	<u>\$ 11,961</u>	<u>\$ 10,176,479</u>

The Foundation has no assets or liabilities recorded at fair value on a non-recurring bases as of June 30, 2019.

Note 6 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Depreciable Assets		
Leasehold improvements	\$ 32,764	\$ 32,764
Furniture and equipment	11,074	11,074
	<u>43,838</u>	<u>43,838</u>
Accumulated depreciation	<u>(40,983)</u>	<u>(39,861)</u>
Total depreciable assets	<u>\$ 2,855</u>	<u>\$ 3,977</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$1,122 and \$1,404, respectively.

Note 7 - Title V Endowment Grant

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2003. 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 \$300,000 over a five-year period ending June 30, 2010, 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 8 - Related Party Transactions

Santa Ana College

Santa Ana College donates administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid primarily by the District; however, 10 percent of the Director's salary, 50 percent of the Development Coordinator's salary, and 26 percent of the Accountant's salary are paid for by the Foundation for a total of \$154,828 and \$84,213, respectively, for fiscal years 2020 and 2019. Accordingly, the Foundation received \$516,287 and \$491,570 from the District for salaries and benefits for the years ended June 30, 2020 and 2019, respectively, which has been reflected in the financial statements as donated salaries. In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal years 2020 and 2019 amounted to \$28,475 and \$27,164, respectively, which has been reflected in the financial statements as donated facilities.

Note 9 - 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, 2020 and 2019, 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:

1. The duration and preservation of the fund
2. The mission of the Foundation and the purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and/or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. 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.

Spending Policy

The Foundation's spending policy requires a target total return of 7.75 percent. The target distribution rate of 4.00 percent will be calculated over a trailing twelve quarter period for endowment funds with a historical gift balance of eighty percent or greater.

Funds with Deficiencies

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, funds with original gift values of \$750,000, fair values of \$706,517, and deficiencies of \$43,483 were reported in net assets with donor restrictions.

Changes in endowment net assets as of June 30, 2020, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 6,071,298
Contributions	7,055
Investment income	147,410
Net appreciation	147,347
Administrative fees	(82,365)
Distributions	(140,649)
Amounts appropriated for expenditures	(55,190)
Endowment net assets, end of year	\$ 6,094,906

Changes in endowment net assets as of June 30, 2019, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 5,918,977
Contributions	33,929
Investment income	119,722
Net appreciation	298,441
Administrative fees	(81,129)
Distributions	(202,176)
Amounts appropriated for expenditures	(16,466)
Endowment net assets, end of year	\$ 6,071,298

Note 10 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2020 through January 19, 2021, which is the date the financial statements were available to be issued.

Subsequent to year-end, the Foundation has been impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.