



Financial Statements  
June 30, 2020 and 2019

# Santiago Canyon College Foundation

Santiago Canyon College Foundation

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June 30, 2020 and 2019

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## Independent Auditor's Report

The Board of Directors  
Santiago Canyon College Foundation  
Orange, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Santiago Canyon 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.

*Eide Bailly LLP*

Rancho Cucamonga, California  
February 11, 2021

Santiago Canyon College Foundation  
 Statements of Financial Position  
 June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 322,925	\$ 245,058
Accounts receivable	-	666
Total current assets	322,925	245,724
Noncurrent assets		
Investments	1,440,474	1,474,306
Beneficial interest in assets held by the Foundation for California Community Colleges	103,819	108,513
Total noncurrent assets	1,544,293	1,582,819
Total assets	\$ 1,867,218	\$ 1,828,543
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ -	\$ 15,984
Net assets		
Without donor restrictions	943,101	970,175
With donor restrictions	924,117	842,384
Total net assets	1,867,218	1,812,559
Total liabilities and net assets	\$ 1,867,218	\$ 1,828,543

Santiago Canyon College Foundation

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 77,985	\$ 365,039	\$ 443,024
Donated salaries and benefits	123,266	-	123,266
Donated services	16,150	-	16,150
Special events	-	15,854	15,854
Miscellaneous revenue	301	-	301
Assets released from restrictions	333,431	(333,431)	-
<b>Total revenues</b>	<b>551,133</b>	<b>47,462</b>	<b>598,595</b>
<b>Expenses</b>			
Program	443,590	-	443,590
Management and general	123,198	-	123,198
Fundraising	55,643	-	55,643
<b>Total expenses</b>	<b>622,431</b>	<b>-</b>	<b>622,431</b>
<b>Other Income (Expense)</b>			
Realized gain (loss) on sale of investments	1,554	(143)	1,411
Unrealized gain on investments	20,370	20,823	41,193
Interest and dividends, net of expenses	22,300	12,685	34,985
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	906	906
<b>Total other income (expense)</b>	<b>44,224</b>	<b>34,271</b>	<b>78,495</b>
<b>Change in Net Assets</b>	<b>(27,074)</b>	<b>81,733</b>	<b>54,659</b>
<b>Net Assets, Beginning of Year</b>	<b>970,175</b>	<b>842,384</b>	<b>1,812,559</b>
<b>Net Assets, End of Year</b>	<b>\$ 943,101</b>	<b>\$ 924,117</b>	<b>\$ 1,867,218</b>

Santiago Canyon College Foundation

Statements of Activities

Years Ended June 30, 2020 and 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 30,856	\$ 350,067	\$ 380,923
Donated salaries and benefits	133,512	-	133,512
Donated services	6,650	-	6,650
Special events	-	31,442	31,442
Miscellaneous revenue	6,989	-	6,989
Assets released from restrictions	433,609	(433,609)	-
<b>Total revenues</b>	<b>611,616</b>	<b>(52,100)</b>	<b>559,516</b>
<b>Expenses</b>			
Program	462,653	-	462,653
Management and general	62,885	-	62,885
Fundraising	72,634	-	72,634
<b>Total expenses</b>	<b>598,172</b>	<b>-</b>	<b>598,172</b>
<b>Other Income (Expense)</b>			
Realized gain (loss) on sale of investments	(6,555)	(4,683)	(11,238)
Unrealized gain on investments	43,690	25,918	69,608
Interest and dividends, net of expenses	20,477	10,588	31,065
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	793	793
<b>Total other income (expense)</b>	<b>57,612</b>	<b>32,616</b>	<b>90,228</b>
<b>Change in Net Assets</b>	<b>71,056</b>	<b>(19,484)</b>	<b>51,572</b>
<b>Net Assets, Beginning of Year</b>	<b>899,119</b>	<b>861,868</b>	<b>1,760,987</b>
<b>Net Assets, End of Year</b>	<b>\$ 970,175</b>	<b>\$ 842,384</b>	<b>\$ 1,812,559</b>

Santiago Canyon College Foundation  
 Statements of Functional Expenses  
 Years Ended June 30, 2020 and 2019

	2020			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ -	\$ 83,477	\$ 39,789	\$ 123,266
Donated services	16,150	-	-	16,150
Salaries and benefits	-	-	-	-
Scholarships and grants	243,836	-	-	243,836
Office Expenses	39,117	1,345	4,555	45,017
Information technology	-	15,637	-	15,637
Conferences and meetings	1,578	2,246	-	3,824
Dues, memberships, and subscriptions	190	595	-	785
Food and food services	2,375	198	-	2,573
Awards and incentives	-	-	-	-
Postage and printing	1,227	-	299	1,526
College Support	23,750	-	-	23,750
Contracted services	88,700	19,680	11,000	119,380
Pass through program funds	12,166	-	-	12,166
Other expenses	14,501	20	-	14,521
	<u>\$ 443,590</u>	<u>\$ 123,198</u>	<u>\$ 55,643</u>	<u>\$ 622,431</u>
Total expenses	<u>\$ 443,590</u>	<u>\$ 123,198</u>	<u>\$ 55,643</u>	<u>\$ 622,431</u>



Santiago Canyon College Foundation  
 Statements of Functional Expenses  
 Years Ended June 30, 2020 and 2019

	2019			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 78,132	\$ 18,988	\$ 36,392	\$ 133,512
Donated services	6,650	-	-	6,650
Salaries and benefits	-	16,430	-	16,430
Scholarships and grants	301,035	-	-	301,035
Office Expenses	6,063	242	7,872	14,177
Information technology	-	14,442	-	14,442
Conferences and meetings	2,063	3,790	-	5,853
Dues, memberships, and subscriptions	-	2,775	520	3,295
Food and food services	22,413	5,249	8,765	36,427
Awards and incentives	1,525	-	-	1,525
Postage and printing	936	54	2,895	3,885
College Support	20,750	-	-	20,750
Contracted services	-	118	16,050	16,168
Pass through program funds	-	-	-	-
Other expenses	23,086	797	140	24,023
	\$ 462,653	\$ 62,885	\$ 72,634	\$ 598,172
Total expenses	\$ 462,653	\$ 62,885	\$ 72,634	\$ 598,172

## Santiago Canyon College Foundation

Statements of Cash Flows  
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 54,659	\$ 51,572
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gain on investments	(41,193)	(69,608)
Realized (gain) loss on sale of investments	(1,411)	11,238
Change in beneficial interest in assets held by the Foundation for California Community Colleges	4,694	(793)
Changes in assets and liabilities		
Accounts receivable	666	(666)
Accounts payable	(15,984)	14,159
Net cash flows from operating activities	1,431	5,902
Cash Flows from Investing Activities		
Proceeds from sale of investments	639,128	2,100,090
Purchase of investments	(562,692)	(2,117,528)
Net Cash Flows From Investing Activities	76,436	(17,438)
Net Change in Cash and Cash Equivalents	77,867	(11,536)
Cash and Cash Equivalents, Beginning of Year	245,058	256,594
Cash and Cash Equivalents, End of Year	\$ 322,925	\$ 245,058

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

Santiago Canyon College Foundation (the Foundation) is a nonprofit organization founded on May 12, 1998, for the purpose of receiving contributions for the support and advancement of education on behalf of Santiago Canyon College (the District). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the District.

**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, 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 operations 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.

### **Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis. Certain reclassifications may have been made to conform with the current year presentation.

### **Donated Assets, Services, 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 services are recorded at market value when a specialized skill is provided that would have otherwise been purchased or paid. 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 the Foundation 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.

### **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 \$4,640 and \$11,027, 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 \$940,474 and \$974,306, 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.

**Allocation of Functional Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, 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	\$ 322,925	\$ 245,058
Accounts receivable	-	666
Investments	516,357	631,922
	<u>\$ 839,282</u>	<u>\$ 877,646</u>
Total financial assets available within one year	<u>\$ 839,282</u>	<u>\$ 877,646</u>

## 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 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
Bonds	\$ 480,289	\$ 494,237	\$ 13,948
Equity	391,728	403,413	11,685
Exchange traded funds	527,264	542,824	15,560
	<u>\$ 1,399,281</u>	<u>\$ 1,440,474</u>	<u>\$ 41,193</u>
Total	<u>\$ 1,399,281</u>	<u>\$ 1,440,474</u>	<u>\$ 41,193</u>

Santiago Canyon College Foundation

Notes to Financial Statements

June 30, 2020 and 2019

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
Bonds	\$ 515,300	\$ 540,723	\$ 25,423
Equity	475,615	499,244	23,629
Exchange traded funds	413,783	434,339	20,556
Total	\$ 1,404,698	\$ 1,474,306	\$ 69,608

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 (loss) on investments	\$ 1,411	\$ (11,238)
Unrealized gain on investments	41,193	69,608
Interest and dividends	43,386	37,825
Total investment income	85,990	96,195
Investment expenses	(8,401)	(6,760)
Total investment income, net of expenses	\$ 77,589	\$ 89,435

**Note 4 - 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 3	Total
Assets			
Bonds	\$ 494,237	\$ -	\$ 494,237
Equity	403,413	-	403,413
Exchange traded funds	542,824	-	542,824
Beneficial interest in assets held by the Foundation for California Community Colleges Osher Endowment Scholarship Fund	-	103,819	103,819
Total	<u>\$ 1,440,474</u>	<u>\$ 103,819</u>	<u>\$ 1,544,293</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ending June 30, 2020.

	Beneficial Interest in FCCC
Balance at June 30, 2019	\$ 108,513
Change in value	906
Distributions	(5,600)
Balance at June 30, 2020	<u>\$ 103,819</u>

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

	Level 1	Level 3	Total
Assets	\$ 540,723	\$ -	\$ 540,723
Bonds	499,244	-	499,244
Equity	434,339	-	434,339
Beneficial interest in assets held by the Foundation for California Community Colleges Osher Endowment Scholarship Fund	-	108,513	108,513
Total	<u>\$ 1,474,306</u>	<u>\$ 108,513</u>	<u>\$ 1,582,819</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ending June 30, 2019.

	Beneficial Interest in FCCC
Balance at June 30, 2018	\$ 107,720
Change in value	5,926
Distributions	(5,133)
Balance at June 30, 2019	<u>\$ 108,513</u>

**Note 5 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges-Osher Endowment Scholarship**

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 \$94,792. As of June 30, 2020 and 2019, the ending balance of the Osher Endowment Scholarship was \$103,819 and \$108,513, respectively. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

**Note 6 - Net Assets with Donor Restrictions**

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

Scholarships	\$	710,966
Osher scholarships		9,027
Others		<u>76,269</u>
Total	\$	<u><u>796,262</u></u>

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

Scholarships	\$	640,708
Osher scholarships		13,721
Others		<u>60,100</u>
Total	\$	<u><u>714,529</u></u>

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

Endowed scholarships	\$	33,063
Osher scholarships		<u>94,792</u>
Total	\$	<u><u>127,855</u></u>

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

Endowed scholarships	\$	33,063
Osher scholarships		<u>94,792</u>
Total	\$	<u><u>127,855</u></u>

**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, 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 and 2019, there were no funds with original gift values that exceeded their fair values.

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

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 108,513
Investment income	2,100
Net appreciation	(1,194)
Distributions	<u>(5,600)</u>
Endowment net assets, end of year	<u>\$ 103,819</u>

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

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 107,720
Investment income	2,336
Net appreciation	3,590
Distributions	<u>(5,133)</u>
Endowment net assets, end of year	<u>\$ 108,513</u>

**Note 8 - Related Party Transactions**

During the year, many individuals, District staff, and administrators donate significant amounts of time and services to the Foundation in an effort to advance the programs and objectives of the Foundation. Donated services are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value. Donated services include the value of Foundation services paid for salaries and benefits by the District. These services were valued at \$123,266 and \$133,512, respectively, for the June 30, 2020 and 2019, fiscal years, and are recognized in the financial statements as donated salaries and benefits and an operating expense. In addition, the District provides outsourced accounting services for the Foundation. These services were valued at \$16,150 and \$6,650, respectively, for the June 30, 2020 and 2019, fiscal years, and are recognized in the financial statements as donated services and an operating expense.

**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 from June 30, 2020 through February 11, 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 unknown.