



Financial Statements  
June 30, 2021 and 2020

# Santiago Canyon College Foundation

Santiago Canyon College Foundation

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June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
December 6, 2021

Santiago Canyon College Foundation  
 Statements of Financial Position  
 June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 276,145	\$ 322,925
Prepaid expenses	5,058	-
	281,203	322,925
Noncurrent assets		
Investments	1,877,724	1,440,474
Beneficial interest in assets held by the Foundation for California Community Colleges	125,651	103,819
	2,003,375	1,544,293
Total assets	\$ 2,284,578	\$ 1,867,218
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 2,784	\$ -
Deferred revenue	1,490	-
	4,274	-
Net assets		
Without donor restrictions	1,153,468	943,101
With donor restrictions	1,126,836	924,117
	2,280,304	1,867,218
Total liabilities and net assets	\$ 2,284,578	\$ 1,867,218

Santiago Canyon College Foundation

Statements of Activities

Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 38,141	\$ 156,119	\$ 194,260
Grants	-	42,125	42,125
Donated salaries and benefits	136,811	-	136,811
Donated services	-	-	-
Special events	18,833	-	18,833
Miscellaneous revenue	6,189	45,107	51,296
Assets released from restrictions	215,778	(215,778)	-
<b>Total revenues</b>	<b>415,752</b>	<b>27,573</b>	<b>443,325</b>
<b>Expenses</b>			
Program	234,691	-	234,691
Management and general	119,165	-	119,165
Fundraising	66,895	-	66,895
<b>Total expenses</b>	<b>420,751</b>	<b>-</b>	<b>420,751</b>
<b>Other Income (Expense)</b>			
Realized gain (loss) on sale of investments	107,389	79,265	186,654
Unrealized gain on investments	90,006	62,299	152,305
Interest and dividends, net of expenses	17,971	11,750	29,721
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	-	21,832	21,832
<b>Total other income (expense)</b>	<b>215,366</b>	<b>175,146</b>	<b>390,512</b>
Change in Net Assets	210,367	202,719	413,086
Net Assets, Beginning of Year	943,101	924,117	1,867,218
Net Assets, End of Year	\$ 1,153,468	\$ 1,126,836	\$ 2,280,304

Santiago Canyon College Foundation

Statements of Activities

Years Ended June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 77,985	\$ 370,639	\$ 448,624
Grants	-	-	-
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>53,062</b>	<b>604,195</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	-	(4,694)	(4,694)
<b>Total other income (expense)</b>	<b>44,224</b>	<b>28,671</b>	<b>72,895</b>
Change in Net Assets	(27,074)	81,733	54,659
Net Assets, Beginning of Year	970,175	842,384	1,812,559
Net Assets, End of Year	\$ 943,101	\$ 924,117	\$ 1,867,218

Santiago Canyon College Foundation  
 Statements of Functional Expenses  
 Years Ended June 30, 2021 and 2020

	2021			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ -	\$ 87,453	\$ 49,358	\$ 136,811
Donated services	-	-	-	-
Board expenses	-	2,389	-	2,389
Scholarships and grants	156,966	-	-	156,966
Office expenses	-	-	-	-
Information technology	-	13,777	-	13,777
Equipment	3,173	-	-	3,173
Conferences and meetings	-	1,025	-	1,025
Dues, memberships, and subscriptions	-	1,097	-	1,097
Food and food services	-	222	4,148	4,370
Awards and incentives	5,500	-	-	5,500
Bank/Credit card fee	1,269	-	-	1,269
Public relations and advertising	1,500	-	-	1,500
Postage and printing	639	-	55	694
College support	23,908	-	-	23,908
Contracted services	22,500	12,710	9,675	44,885
Supplies	12,481	492	3,640	16,613
Donor cultivation	-	-	19	19
Pass through program funds	6,755	-	-	6,755
Other expenses	-	-	-	-
Total expenses	<u>\$ 234,691</u>	<u>\$ 119,165</u>	<u>\$ 66,895</u>	<u>\$ 420,751</u>



Santiago Canyon College Foundation  
 Statements of Functional Expenses  
 Years Ended June 30, 2021 and 2020

	2020			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ -	\$ 83,477	\$ 39,789	\$ 123,266
Donated services	16,150	-	-	16,150
Board expenses	-	-	-	-
Scholarships and grants	243,836	-	-	243,836
Office expenses	39,117	1,345	4,555	45,017
Information technology	-	15,637	-	15,637
Equipment	-	-	-	-
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	-	-	-	-
Bank/Credit card fee	1,194	-	-	1,194
Public relations and advertising	1,500	-	-	1,500
Postage and printing	1,227	-	299	1,526
College support	34,259	-	-	34,259
Contracted services	88,700	19,680	11,000	119,380
Supplies	-	-	-	-
Donor cultivation	632	-	-	632
Pass through program funds	12,166	-	-	12,166
Other expenses	666	20	-	686
<b>Total expenses</b>	<b>\$ 443,590</b>	<b>\$ 123,198</b>	<b>\$ 55,643</b>	<b>\$ 622,431</b>

## Santiago Canyon College Foundation

### Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 413,086	\$ 54,659
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gain on investments	(152,305)	(41,193)
Realized (gain) loss on sale of investments	(186,654)	(1,411)
Change in beneficial interest in assets held by the Foundation for California Community Colleges	(21,832)	4,694
Changes in assets and liabilities		
Accounts receivable	-	666
Prepaid expenses	(5,058)	-
Accounts payable	2,784	(15,984)
Deferred revenue	1,490	-
	51,511	1,431
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,132,567	639,128
Purchase of investments	(1,230,858)	(562,692)
	(98,291)	76,436
Net Change in Cash and Cash Equivalents	(46,780)	77,867
Cash and Cash Equivalents, Beginning of Year	322,925	245,058
Cash and Cash Equivalents, End of Year	\$ 276,145	\$ 322,925

## **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 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, 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 in operating 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**

In May 2014, the FASB issued guidance ASC 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Foundation adopted ASC 606 with a date of the initial application of July 1, 2020, using the full-retrospective method.

As part of the adoption of ASC 606, the Foundation elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as net assets without donor restrictions.

The adoption of ASC 606 did not have a significant impact on the Foundation's statement of financial position, results of its activities, or cash flows. The Foundation's revenue arrangements generally consist of a single performance obligation to transfer services. There are no significant contract assets, accounts receivable, or contract liabilities associated with these revenue streams. Based on the Foundation's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

### **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.

### **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 charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF- 1, with the appropriate agencies. There was no unrelated business activity income.

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 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, 2021 and 2020, the Foundation had cash balances of \$37,216 and \$4,640, 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, 2021 and 2020, the Foundation had investment balances in the amount of \$1,377,724 and \$940,474, 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, 2021 and 2020, 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. The expenses are generally directly attributable to a functional category with no significant allocations between program, management and general, and fundraising activities occurring.

### **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.

## 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,:

	2021	2020
Cash and cash equivalents	\$ 276,145	\$ 322,925
Investments	876,539	620,176
	<u>\$ 1,152,684</u>	<u>\$ 943,101</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, 2021:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Bonds	\$ 667,466	\$ 726,384	\$ 58,918
Equity	681,167	741,294	60,127
Exchange traded funds	376,786	410,046	33,260
	<u>\$ 1,725,419</u>	<u>\$ 1,877,724</u>	<u>\$ 152,305</u>

## Santiago Canyon College Foundation

Notes to Financial Statements

June 30, 2021 and 2020

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
Total	\$ 1,399,281	\$ 1,440,474	\$ 41,193

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2021 and 2020:

	2021	2020
Realized gain on investments	\$ 186,654	\$ 1,411
Unrealized gain on investments	152,305	41,193
Interest and dividends	39,214	43,386
Total investment income	378,173	85,990
Investment expenses	(9,493)	(8,401)
Total investment income, net of expenses	\$ 368,680	\$ 77,589

### 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, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2021.

	Level 1	Level 3	Total
Assets			
Bonds	\$ 726,384	\$ -	\$ 726,384
Equity	741,294	-	741,294
Exchange traded funds	410,046	-	410,046
Beneficial interest in assets held by the Foundation for California Community Colleges Osher Endowment Scholarship Fund	-	125,651	125,651
Total	<u>\$ 1,877,724</u>	<u>\$ 125,651</u>	<u>\$ 2,003,375</u>

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>

**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 Foundation and its donors have contributed \$94,792. As of June 30, 2021 and 2020, the ending balance of the Osher Endowment Scholarship was \$125,651 and \$103,819, 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, 2021:

Scholarships	\$ 895,246
Others	<u>105,939</u>
Total	<u>\$ 1,001,185</u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2021:

Osher scholarships	<u>\$ 125,651</u>
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Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2020:

Scholarships	\$ 744,029
Others	<u>76,269</u>
Total	<u>\$ 820,298</u>

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

Osher scholarships	<u>\$ 103,819</u>
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**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, 2021 and 2020, 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%. The target distribution rate of 4.00% 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, 2021 and 2020, there were no funds with original gift values that exceeded their fair values.

Changes in endowment net assets as of June 30, 2021, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 103,819
Investment income	1,818
Net appreciation	25,614
Distributions	<u>(5,600)</u>
Endowment net assets, end of year	<u>\$ 125,651</u>

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>

**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 \$136,811 and \$123,266, respectively, for the June 30, 2021 and 2020, 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 \$0 and \$16,150, respectively, for the June 30, 2021 and 2020, fiscal years, and are recognized in the financial statements as donated services and an operating expense. The District provides support for the food pantry in the amount of \$37,107 and \$0, respectively, for the June 30, 2021 and 2020, fiscal years, and is recognized in the financial statements as miscellaneous revenue.

**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, 2021 through December 6, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.