

SANTA ANA COLLEGE FOUNDATION

AUDITED FINANCIAL STATEMENTS

**For the Year Ended June 30, 2017
with Comparative Totals for the Year Ended June 30, 2016
and Independent Auditors' Report**

SANTA ANA COLLEGE FOUNDATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT..... 1

FINANCIAL STATEMENTS..... 3

 Statement of Financial Position..... 3

 Statement of Activities 4

 Statement of Cash Flows 5

 Statement of Functional Expenses..... 6

 Notes to the Financial Statements 7

INDEPENDENT AUDITORS' REPORT

Board of Directors
Santa Ana College Foundation
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Ana College Foundation (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, we consider 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, 2017, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of the Foundation as of June 30, 2016 were audited by other auditors whose report dated December 5, 2016 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Glendora, California

December 1, 2017

SANTA ANA COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION
June 30, 2017
With Comparative Totals as of June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,053,443	\$ 1,085,320
Accounts receivable	16,773	1,535
Prepaid expenditures	939	516
Total Current Assets	<u>1,071,155</u>	<u>1,087,371</u>
Non-Current Assets:		
Investments- unrestricted	1,515,140	1,383,975
Investments- restricted	7,930,524	7,479,824
Property and equipment, net of accumulated depreciation	1,298	6,376
Total Non-Current Assets	<u>9,446,962</u>	<u>8,870,175</u>
Total Assets	<u>\$ 10,518,117</u>	<u>\$ 9,957,546</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 47,115	\$ 29,430
Total Current Liabilities	<u>47,115</u>	<u>29,430</u>
Net Assets:		
Unrestricted	1,459,859	1,304,418
Temporarily restricted	3,692,053	3,348,361
Permanently restricted	5,319,090	5,275,337
Total Net Assets	<u>10,471,002</u>	<u>9,928,116</u>
Total Liabilities and Net Assets	<u>\$ 10,518,117</u>	<u>\$ 9,957,546</u>

See accompanying notes to the financial statements.

SANTA ANA COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Support and revenue					
Contributions	\$ 19,946	\$ 709,281	\$ 43,753	\$ 772,980	\$ 859,463
President's Circle	161,572			161,572	67,650
Donated salaries and benefits	489,903			489,903	308,985
Donated facilities	54,038			54,038	18,708
In-kind donations	23,531			23,531	54,650
Stewardship and administrative fee	118,197			118,197	18,518
Indirect cost revenues	22,670			22,670	93,847
Special events		84,460		84,460	186,890
Total Support	<u>889,857</u>	<u>793,741</u>	<u>43,753</u>	<u>1,727,351</u>	<u>1,608,711</u>
Other income					
Realized gain on investments	32,554	122,779		155,333	(84,976)
Unrealized loss on investments	23,632	270,103		293,735	184,225
Interest and dividends, net of expenses	31,051	189,859		220,910	209,105
Total Other Income	<u>87,237</u>	<u>582,741</u>	<u>-</u>	<u>669,978</u>	<u>308,354</u>
Total revenues before net assets released from restrictions	977,094	1,376,482	43,753	2,397,329	1,917,065
Net assets released from restrictions	<u>1,032,790</u>	<u>(1,032,790)</u>		<u>-</u>	<u>-</u>
Total Revenue	<u>2,009,884</u>	<u>343,692</u>	<u>43,753</u>	<u>2,397,329</u>	<u>1,917,065</u>
Operating Expenses					
Program services	1,293,788			1,293,788	3,454,359
Supporting services					
Management and general	362,779			362,779	115,523
Fundraising	197,876			197,876	372,149
Total Expenses	<u>1,854,443</u>	<u>-</u>	<u>-</u>	<u>1,854,443</u>	<u>3,942,031</u>
Change in net assets	<u>155,441</u>	<u>343,692</u>	<u>43,753</u>	<u>542,886</u>	<u>(2,024,966)</u>
Net Assets					
Beginning of year	<u>1,304,418</u>	<u>3,348,361</u>	<u>5,275,337</u>	<u>9,928,116</u>	<u>11,953,082</u>
End of year	<u>\$ 1,459,859</u>	<u>\$ 3,692,053</u>	<u>\$ 5,319,090</u>	<u>\$ 10,471,002</u>	<u>\$ 9,928,116</u>

See accompanying notes to the financial statements.

SANTA ANA COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from operating activities		
Cash received from donations and fundraising	\$ 1,034,250	\$ 1,113,584
Cash paid for student scholarships, grants and campus programs	(563,660)	(2,578,443)
Cash paid for operating expenses and fundraising	<u>(369,670)</u>	<u>(651,358)</u>
Net cash provided (used) by operating activities	<u>100,920</u>	<u>(2,213,875)</u>
 Cash flows from investing activities		
Proceeds from sale of investments	1,729,116	5,151,443
Purchase of investments	(2,082,823)	(2,014,619)
Reinvested interest and dividends, net of expenses	<u>220,910</u>	<u>209,105</u>
Net cash provided (used) by investing activities	<u>(132,797)</u>	<u>3,345,929</u>
 Net increase (decrease) in cash and cash equivalents	(31,877)	1,132,054
 Cash and cash equivalents, beginning of year	<u>1,085,320</u>	<u>(46,737)</u>
 Cash and cash equivalents, end of year	<u>\$ 1,053,443</u>	<u>\$ 1,085,317</u>
 Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 542,886	\$ (2,024,966)
Adjustment to reconcile change in net assets to cash provided (used) by operating activities		
Realized and unrealized (gain)/loss on investments	(449,068)	(99,249)
Depreciation	5,078	7,582
(Increase) decrease in operating assets:		
Accounts receivable	(15,238)	419
Prepaid expense	(423)	(516)
Increase (decrease) in operating liabilities:		
Accounts payable	<u>17,685</u>	<u>(97,142)</u>
Net cash provided (used) by operating activities	<u>\$ 100,920</u>	<u>\$ (2,213,872)</u>

See accompanying notes to the financial statements.

SANTA ANA COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	June 30, 2017				June 30, 2016
	Program Services	Management and General	Fundraising	Total	Total
Donated salaries and benefits	\$ 333,134	\$ 97,981	\$ 58,788	\$ 489,903	\$ 308,985
Donated facilities	13,672	31,288	9,078	54,038	18,708
In-kind donations	23,531			23,531	54,650
Scholarships and grants	579,781			579,781	451,526
Grant - California Innovation Award				-	2,250,000
Salaries and wages	25,918	48,972	1,676	76,566	113,815
Stipends to students	122,313			122,313	24,872
Services - other		16,395		16,395	1,592
Office expenses	50,582	6,886	50,457	107,925	157,223
Printing	493	1,252	15,216	16,961	37,052
Telephone	77	1,260		1,337	1,260
Information technology		13,073		13,073	12,103
Travel	4,206		4,343	8,549	5,135
Conferences & meetings	6,408		4,213	10,621	11,300
Equipment lease and maintenance	6,249	4,922	405	11,576	51,680
Membership dues and subscriptions		5,178		5,178	3,437
Advertising and promotion	6,550	5,196	21,612	33,358	64,143
Depreciation	1,835	3,243		5,078	7,582
Stewardship and administrative fee		118,197		118,197	18,518
Indirect cost fees	22,670			22,670	93,847
Fundraising expense		630	1,362	1,992	100
College support	33,446			33,446	72,150
Contract services	59,703	7,828	29,644	97,175	180,608
Other expenses	3,220	478	1,082	4,780	1,745
	<u>\$ 1,293,788</u>	<u>\$ 362,779</u>	<u>\$ 197,876</u>	<u>\$ 1,854,443</u>	<u>\$ 3,942,031</u>

See accompanying notes to the financial statements.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 1: ORGANIZATION

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be all cash available for immediate use and cash held for investment. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

Property and Equipment

For equipment, the Foundation capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life of greater than one year. Depreciation for equipment and leasehold improvements is computed on a straight-line basis over an estimated useful life of three to five years.

Accounts Payable

Accounts payable consists of amounts due to vendors, but not yet disbursed during the fiscal year.

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets:

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarship and educational program funds.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for specific purposes. Earnings generated from the permanently restricted net assets are available for scholarships.

Functional Allocation of Expenses

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

Contributions

Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donations, other than cash, are recorded at estimated fair value at the time of the donation.

Stewardship Fees and Indirect Costs

In accordance with the stewardship fee policies, fees are assessed for partner groups, endowed scholarship and program funds, grants and third-party scholarships. This fee is recognized as unrestricted income.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets, services and facilities when there is an objective basis available to measure their value. Donated services are recorded in the accompanying statements at market value when a specialized skill is provided that would have otherwise been purchased or paid. 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. See Note 10 for additional disclosure.

In-Kind Donations

The Foundation receives donations of non-cash items, such as equipment, from various businesses and foundations. Donated items with a value of less than \$5,000 are recorded at the donor's estimated value. When the value of the equipment has not been substantiated by appraisal reports, it is not included within the financial statements as support or expense.

Comparative Totals

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2016.

Reclassifications

Certain reclassifications to the summarized comparative information have been made to conform to the current year presentation.

Use of Estimates

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

Income Taxes

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations for generally three and four years, respectively.

Subsequent Events

The Foundation has evaluated subsequent events through December 1, 2017, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2017.

NOTE 3: CONCENTRATION OF CREDIT RISK

Financial Instruments and Credit Risk

Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

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.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 4: INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2017 and 2016:

	2017	2016
Realized gain (loss) on investments, net	\$ 155,333	\$ (84,976)
Unrealized loss on investments, net	293,735	184,228
Interest and dividends	267,836	251,836
Total investment income	716,904	351,088
Investment expenses	(46,926)	(42,734)
Total investment income, net of expenses	\$ 669,978	\$ 308,354

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2017 and 2016:

	June 30, 2017		June 30, 2016	
	Cost	Fair Value	Cost	Fair Value
Investments				
Cash and cash equivalents	\$ 56,184	\$ 56,184	\$ 53,572	\$ 53,572
Certificates of deposit	280,852	280,852	278,368	278,368
Mutual funds - bond (Level 2)	3,744,949	3,730,369	3,374,618	3,388,844
Mutual funds - equity (Level 2)	3,889,171	3,277,379	2,825,661	2,980,736
Exchange traded funds (Level 2)	1,953,397	2,100,880	2,102,434	2,162,279
Total	\$ 9,924,553	\$ 9,445,664	\$ 8,634,653	\$ 8,863,799

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value of measurement is determined as follows:

- Level 1 – quoted prices in an active market for identical assets.
- Level 2 – quoted prices for similar assets and market-corroborated inputs.
- Level 3 – the organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Cash and cash equivalents and certificates of deposit do not have a level assigned to them.

NOTE 5: NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$1,032,790 were released from temporary donor restrictions during the fiscal year 2016-17. The Foundation met donor imposed restrictions by incurring qualified expenses.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 6: RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets consist of the following at June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Temporarily restricted		
Scholarships	\$ 1,795,991	\$ 1,693,167
Other restricted programs	1,138,915	942,042
Title V endowment grant	757,147	713,152
Total temporarily restricted	\$ 3,692,053	\$ 3,348,361
Permanently restricted		
Endowed scholarships	\$ 2,569,090	\$ 2,444,645
Santa Ana Partnership - Award for Innovation	2,750,000	2,830,692
Total permanently restricted	\$ 5,319,090	\$ 5,275,337

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Leasehold improvements	\$ 32,764	\$ 32,764
Furniture and equipment	8,730	8,730
	41,494	41,494
Accumulated depreciation	(40,196)	(35,118)
	\$ 1,298	\$ 6,376

Depreciation expense for the years ended June 30, 2017 and 2016, was \$5,078 and \$7,582, respectively.

NOTE 8: 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

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 8: ENDOWMENT GRANT

spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

At June 30, 2017 and 2016, the fair value of the amount invested related to the endowment grant was \$757,147 and \$713,152, respectively.

NOTE 9: ENDOWMENTS

The Foundation's endowments consist of an endowment established for scholarship purposes (the Foundation Endowment). The Foundation Endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 9: ENDOWMENTS

Return 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 period(s). 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 and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy requires a target total return of 7.75%. The target distribution rate of 4.0% will be calculated over a trailing 12 quarter period for endowment funds with a historical gift balance of 80% or greater.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There are no funds with deficiencies of this nature as of June 30, 2017 and 2016, respectively.

SANTA ANA COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 9: ENDOWMENTS

Changes in Foundation Endowment Net Assets for the Year Ended June 30, 2017 and 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 121,337	\$ 5,154,000	\$ 5,275,337	\$ 5,212,787
Contributions		165,090	165,090	-
Investment return:				
Investment income, net of expenses	130,304		130,304	197,920
Net depreciation (realized and unrealized)	248,382		248,382	198,284
Total investment return	<u>378,686</u>	<u>-</u>	<u>378,686</u>	<u>396,204</u>
Other changes:				
Administrative fees	(72,636)		(72,636)	(172,236)
Distributions	(108,749)		(108,749)	(161,418)
Total other changes	<u>(181,385)</u>	<u>-</u>	<u>(181,385)</u>	<u>(333,654)</u>
Endowment net assets, end of year	<u>\$ 318,638</u>	<u>\$ 5,319,090</u>	<u>\$ 5,637,728</u>	<u>\$ 5,275,337</u>

NOTE 10: RELATED PARTIES

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The Foundation was organized as independent organization under California Business Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. Salaries and benefits for the Executive Director, administrative staff, and other services are paid primarily by the District; however, a small portion of the Director's salary is paid for by the Foundation. The donated services for the fiscal year ended June 30, 2017 and 2016 were valued at \$489,903 and \$308,985, respectively, and are reflected in the financial statements as donated services.

Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated facilities for the fiscal year ended June 30, 2017 and 2016 were valued at \$54,038 and \$18,708, respectively, and are reflected in the financial statements as donated facilities.