

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

ANNUAL FINANCIAL REPORT

JUNE 30, 2016 AND 2015

**SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)**

JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Ana College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Ana College Foundation as of June 30, 2016 and 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of Santa Ana College Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santa Ana College Foundation's internal control over financial reporting and compliance.

Vavrinich, Train, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2016

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 175,771	\$ 222,508
Cash and cash equivalents - restricted	909,549	5,181,310
Investments, at fair value	140,638	357,187
Accounts receivable	1,535	1,954
Prepaid expenditures	516	-
Total Current Assets	1,228,009	5,762,959
Noncurrent Assets		
Investments, at fair value	8,723,161	6,302,737
Property and equipment (net of accumulated depreciation)	6,376	13,958
Total Noncurrent Assets	8,729,537	6,316,695
Total Assets	\$ 9,957,546	\$ 12,079,654
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 29,430	\$ 126,572
 NET ASSETS		
Unrestricted	1,304,418	1,334,966
Temporarily restricted	3,348,361	10,618,116
Permanently restricted	5,275,337	-
Total Net Assets	9,928,116	11,953,082
Total Liabilities and Net Assets	\$ 9,957,546	\$ 12,079,654

See the accompanying notes to financial statements.

SANTA ANA COLLEGE FOUNDATION
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STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Contributions	\$ 216,824	\$ 897,175	\$ -	\$ 1,113,999
California Award for Innovation	-	-	-	-
Donated facilities	18,708	-	-	18,708
Donated salaries and benefits	308,985	-	-	308,985
Administrative fee	18,518	-	-	18,518
In-kind revenue	12,405	42,248	-	54,653
Assets released from restrictions	3,226,425	(3,226,425)	-	-
Total Revenues	3,801,865	(2,287,002)	-	1,514,863
EXPENSES				
Operating expenses	260,411	-	-	260,411
Program expenses	3,402,183	-	-	3,402,183
Fundraising expenses	228,331	-	-	228,331
Total Expenses	3,890,925	-	-	3,890,925
OTHER INCOME (EXPENSE)				
Realized gain (loss) on sale of investments	(4,658)	(80,314)	-	(84,972)
Unrealized gain (loss), net	21,765	162,463	-	184,228
Interest and dividends	38,351	213,489	-	251,840
Transfers	3,054	(5,278,391)	5,275,337	-
Total Other Income (Expense)	58,512	(4,982,753)	5,275,337	351,096
CHANGE IN NET ASSETS	(30,548)	(7,269,755)	5,275,337	(2,024,966)
NET ASSETS, BEGINNING OF YEAR	1,334,966	10,618,116	-	11,953,082
NET ASSETS, END OF YEAR	\$ 1,304,418	\$ 3,348,361	\$ 5,275,337	\$ 9,928,116

See the accompanying notes to financial statements.

2015		
Unrestricted	Temporarily Restricted	Total
\$ 243,896	\$ 857,965	\$ 1,101,861
-	5,000,000	5,000,000
19,705	-	19,705
280,974	-	280,974
37,902	-	37,902
248	54,731	54,979
1,248,419	(1,248,419)	-
<u>1,831,144</u>	<u>4,664,277</u>	<u>6,495,421</u>
216,950	-	216,950
1,351,237	-	1,351,237
168,108	-	168,108
<u>1,736,295</u>	<u>-</u>	<u>1,736,295</u>
50,034	94,481	144,515
(47,793)	(93,326)	(141,119)
43,614	174,517	218,131
(27,972)	27,972	-
<u>17,883</u>	<u>203,644</u>	<u>221,527</u>
112,732	4,867,921	4,980,653
1,222,234	5,750,195	6,972,429
<u>\$ 1,334,966</u>	<u>\$ 10,618,116</u>	<u>11,953,082</u>

SANTA ANA COLLEGE FOUNDATION
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,024,966)	\$ 4,980,653
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized (gain) loss	(184,228)	141,119
Realized (gain) loss	84,972	(144,515)
Depreciation	7,582	7,582
Contributions restricted for long-term purposes	(897,175)	(857,965)
Changes in Assets and Liabilities		
Decrease in accounts receivable	419	15,696
Increase in prepaid accounts	(516)	-
Increase (Decrease) in accounts payable	(97,142)	98,387
Net Cash Flows From Operating Activities	(3,111,054)	4,240,957
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	(2,104,619)	(655,590)
Net purchase of capital assets	-	(2,411)
(Increase) Decrease in restricted cash and cash equivalents	4,271,761	(4,340,462)
Net Cash Flows From Investing Activities	2,167,142	(4,998,463)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	897,175	857,965
NET INCREASE (DECREASE) IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(46,737)	100,459
UNRESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	222,508	122,049
UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 175,771	\$ 222,508
NONCASH TRANSACTIONS		
Donated salaries and benefits	\$ 308,985	\$ 280,974
Donated facilities	\$ 18,708	\$ 19,705

See the accompanying notes to financial statements.

SANTA ANA COLLEGE FOUNDATION
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STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30,

	2016			
	Operating	Program	Fundraising	Total
Donated salaries and benefits	\$ 18,539	\$ 247,188	\$ 43,258	\$ 308,985
Donated facilities	1,122	14,967	2,619	18,708
Salaries and benefits	1,065	14,207	2,486	17,758
In-kind donations	-	54,653	-	54,653
Scholarship payments	-	413,672	-	413,672
Program expenses	-	81,813	-	81,813
Payments to subrecipients -				
CA Innovation Award	-	2,250,000	-	2,250,000
Professional fees	65,592	116,609	-	182,201
Public relations	27,281	-	6,399	33,680
Equipment	2,924	-	2,298	5,222
Hospitality	13,111	12,292	56,542	81,945
Printing	14,820	-	22,231	37,051
Supplies	10,539	20,326	44,415	75,280
Administrative fee	14,584	-	-	14,584
Conferences and travel	4,834	7,560	-	12,394
Depreciation	7,582	-	-	7,582
Advertising	12,185	-	18,277	30,462
General operating expenses	66,233	168,896	29,806	264,935
Total Expenses	\$ 260,411	\$ 3,402,183	\$ 228,331	\$ 3,890,925

See the accompanying notes to financial statements.

2015

Operating	Program	Fundraising	Total
\$ 16,858	\$ 224,780	\$ 39,336	\$ 280,974
1,182	15,764	2,759	19,705
1,025	14,206	2,391	17,622
-	54,979	-	54,979
-	482,112	-	482,112
-	315,409	-	315,409
-	-	-	-
53,138	94,467	-	147,605
17,235	-	4,043	21,278
2,041	-	1,604	3,645
9,931	9,310	42,826	62,067
5,711	-	8,567	14,278
6,832	13,176	28,792	48,800
32,468	-	-	32,468
5,051	7,901	-	12,952
7,582	-	-	7,582
11,177	-	16,765	27,942
46,719	119,133	21,025	186,877
<u>\$ 216,950</u>	<u>\$ 1,351,237</u>	<u>\$ 168,108</u>	<u>\$ 1,736,295</u>

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Organization and Nature of Activities

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

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. As permitted by the statement, the Foundation does not use fund accounting. The financial statements have been prepared on the accrual basis of accounting. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

The Foundation and the Rancho Santiago Community College District (the District) are financially 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 support services.

Method of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America utilizing the accrual basis of accounting, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of equity and transactions into three classes of net assets - permanently restricted, temporarily restricted, or unrestricted as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

Public Support and Revenue

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Comparative Financial Information

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

Donated Assets, Services, and Facilities

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated facilities are reflected as support in the accompanying statements at their estimated values at date of donation and fair market value of facilities for the year. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College.

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.

**SANTA ANA COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2013, 2014, and 2015, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2012, 2013, 2014, and 2015, 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 maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2016 and 2015, the Foundation had cash balances of \$747,010 and \$5,215,097, respectively, held in financial institutions in excess of Federal depository insurance coverage.

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

Investments

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

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.

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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.

NOTE 2 - RESTRICTED NET ASSETS

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

Scholarships	\$ 921,752
Student assistance	1,713,457
Title V endowment grant	713,152
Total Temporarily Restricted Net Assets	<u>\$ 3,348,361</u>

Permanently restricted net assets consist of the following at June 30, 2016:

Endowed scholarships	\$ 2,444,645
Santa Ana Partnership - Award for Innovation	2,830,692
Total Permanently Restricted Net Assets	<u>\$ 5,275,337</u>

Temporarily restricted net assets consisted of the following at June 30, 2015:

Scholarships	\$ 6,049,704
Student assistance	3,877,085
Title V endowment grant	691,327
Total Temporarily Restricted Net Assets	<u>\$ 10,618,116</u>

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 - INVESTMENTS

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

	Adjusted Cost	Fair Market Value	Unrealized Gain
Certificates of deposit	\$ 316,773	\$ 316,773	\$ -
Bonds	3,316,357	3,389,173	72,816
Equity securities	2,916,194	2,980,736	64,542
Other assets	2,130,247	2,177,117	46,870
	<u>\$ 8,679,571</u>	<u>\$ 8,863,799</u>	<u>\$ 184,228</u>

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2015:

	Adjusted Cost	Fair Market Value	Unrealized (Loss)
Certificates of deposit	\$ 531,572	\$ 531,572	\$ -
Bonds	2,325,502	2,292,880	(32,622)
Equity securities	2,370,124	1,885,598	(484,526)
Other assets	1,573,845	1,949,874	376,029
	<u>\$ 6,801,043</u>	<u>\$ 6,659,924</u>	<u>\$ (141,119)</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2016 and 2015:

	2016	2015
Realized gain (loss) on investments	\$ (84,972)	\$ 144,515
Unrealized gain (loss) on investments	184,228	(141,119)
Interest and dividends	251,840	218,131
Total Investment Income	<u>351,096</u>	<u>221,527</u>
Investment expenses	(42,736)	(20,784)
Total Investment Income, Net of Expenses	<u>\$ 308,360</u>	<u>\$ 200,743</u>

**SANTA ANA COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 4 - INVESTMENT SECURITIES

Market Value of Financial Assets and Liabilities

The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy established in Statement of Financial Accounting Standards, *Fair Value Measurements*, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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, 2016. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2016.

ASSETS	Level 1	Level 2	Total
Certificates of deposit	\$ 316,773	\$ -	\$ 316,773
Bonds	-	3,389,173	3,389,173
Equity securities	-	2,980,736	2,980,736
Other assets	-	2,177,117	2,177,117
Total	<u>\$ 316,773</u>	<u>\$ 8,547,026</u>	<u>\$ 8,863,799</u>

SANTA ANA COLLEGE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2015. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2015.

ASSETS	Level 1	Level 2	Total
Certificates of deposit	\$ 531,572	\$ -	\$ 531,572
Bonds	-	2,292,880	2,292,880
Equity securities	-	1,885,598	1,885,598
Other assets	-	1,949,874	1,949,874
Total	<u>\$ 531,572</u>	<u>\$ 6,128,352</u>	<u>\$ 6,659,924</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Depreciable Assets		
Leasehold improvements	\$ 32,764	\$ 32,764
Furniture and equipment	8,730	8,730
	<u>41,494</u>	<u>41,494</u>
Accumulated depreciation	<u>(35,118)</u>	<u>(27,536)</u>
Total Depreciable Assets	<u>\$ 6,376</u>	<u>\$ 13,958</u>

Depreciation expense for the years ended June 30, 2016 and 2015, was \$7,582 and \$7,582, respectively.

NOTE 6 - TRANSFERS BETWEEN FUNDS

During the years ended June 30, 2016 and 2015, management reviewed original donor instructions and determined that various donations in the amount of \$5,278,391 and \$27,972, respectively, had been classified incorrectly, and transfers were made to properly move them to the correct fund. For the year ended June 30, 2016, management analyzed the temporarily restricted endowments funds and determined, based on donor stipulation, that \$5,275,337 should remain in perpetuity as permanently restricted endowment funds. As such, a transfer has been recorded between temporarily restricted and permanently restricted to present these funds accordingly. Certain amounts presented for the year ended June 30, 2015 have been reclassified for comparability and clarity purposes.

**SANTA ANA COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 - ENDOWMENT GRANT

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2003. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received \$300,000 over a five-year period ending June 30, 2010, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50 percent of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

NOTE 8 - RELATED PARTY TRANSACTIONS

Santa Ana College

Santa Ana College donates administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid primarily by the District; however, a small portion of the Director's salary is paid for by the Foundation. Accordingly, the Foundation received \$308,985 and \$280,974 from the District for salaries and benefits for the years ended June 30, 2016 and 2015, respectively, which has been reflected in the financial statements as donated salaries. In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal years 2016 and 2015 amounted to \$18,708 and \$19,705, respectively, which has been reflected in the financial statements as donated facilities.

NOTE 9 - DONOR DESIGNATED ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Funds
Donor-restricted endowment funds	\$ 713,152	\$ 5,275,337	\$ 5,988,489

**SANTA ANA COLLEGE FOUNDATION
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

Changes in endowment net assets as of June 30, 2016, are as follows:

	Temporarily Restricted	Permanently Restricted	Total Net Endowment Funds
Endowment net assets, beginning of year	\$ 691,327	\$ -	\$ 691,327
Investment income	20,871	-	20,871
Net appreciation	10,090	-	10,090
Reclassification of endowments	-	5,275,337	5,275,337
Amounts appropriated for expenditures	(9,136)	-	(9,136)
Endowment net assets, end of year	<u>\$ 713,152</u>	<u>\$ 5,275,337</u>	<u>\$ 5,988,489</u>

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Temporarily Restricted Endowment Funds
Donor-restricted endowment funds	<u>\$ 691,327</u>

Changes in endowment net assets as of June 30, 2015, are as follows:

	Temporarily Restricted Endowment Funds
Investment income	\$ 24,079
Net appreciation	3,100
Transfers of investment to unrestricted	(1)
Amounts appropriated for expenditures	(23,197)
Endowment net assets, end of year	<u>\$ 691,327</u>

NOTE 10 - SUBSEQUENT EVENTS

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 5, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Santa Ana College Foundation (the Foundation) (a California nonprofit corporation) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Santa Ana College Foundation's basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Foundation in a separate letter dated December 5, 2016.

Purpose of This Report

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

Vavrinich, Trinn, Day & Co., LLP

Rancho Cucamonga, California
December 5, 2016