



Financial Statements

June 30, 2019 (With Summarized Totals for 2018)

Santa Ana College Foundation

(A California Nonprofit Corporation)

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

**JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR 2018)**

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	
June 30, 2019 (With Summarized Totals for 2018).....	3
Statement of Activities	
For the Year Ended June 30, 2019 (With Summarized Totals for 2018)	4
Statement of Cash Flows	
For the Year Ended June 30, 2019 (With Summarized Totals for 2018)	5
Statement of Functional Expenses	
For the Year Ended June 30, 2019 (With Summarized Totals for 2018)	6
Notes to Financial Statements	7
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18



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 statement of financial position as of June 30, 2019, 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 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018, financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the Foundation as of and for the year ended June 30, 2018, were audited by CliftonLarsonAllen LLP, whose report dated November 20, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2019, on our consideration of the 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 solely 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 the effectiveness of the Foundation's 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 Foundation's internal control over financial reporting and compliance.



Rancho Cucamonga, California
December 2, 2019

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

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 774,441	\$ 556,094
Investments	143,181	-
Accounts receivable	5,000	33,500
Prepaid expenditures	-	1,919
Total Current Assets	922,622	591,513
Noncurrent Assets		
Investments	10,033,298	9,987,279
Property and equipment (net of accumulated depreciation)	3,977	5,381
Total Noncurrent Assets	10,037,275	9,992,660
Total Assets	<u>\$ 10,959,897</u>	<u>\$ 10,584,173</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 5,639	\$ 25,467
NET ASSETS		
Without donor restrictions	1,634,514	1,556,762
With donor restrictions	9,319,744	9,001,944
Total Net Assets	10,954,258	10,558,706
Total Liabilities and Net Assets	<u>\$ 10,959,897</u>	<u>\$ 10,584,173</u>

See the accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES				
Contributions	\$ 13,809	\$ 468,694	\$ 482,503	\$ 671,448
President's Circle	112,850	-	112,850	92,951
Donated salaries and benefits	491,570	-	491,570	445,462
Donated facilities	27,164	-	27,164	28,581
In-kind donations	100	21,915	22,015	25,262
Stewardship and administrative fee	103,426	-	103,426	154,437
Indirect cost revenues	-	35,563	35,563	55,252
Special events	-	61,769	61,769	90,225
Assets released from restrictions	846,984	(846,984)	-	-
Total Revenues	1,595,903	(259,043)	1,336,860	1,563,618
EXPENSES				
Program	948,250	-	948,250	1,486,026
Management and general	276,928	-	276,928	344,106
Fundraising	378,336	-	378,336	204,664
Total Expenses	1,603,514	-	1,603,514	2,034,796
OTHER INCOME (EXPENSE)				
Realized gain on sale of investments	1,711	12,523	14,234	507,167
Unrealized gain (loss), net	52,813	395,263	448,076	(231,976)
Interest and dividends, net of fees	30,839	169,057	199,896	283,691
Total Other Income (Expense)	85,363	576,843	662,206	558,882
CHANGE IN NET ASSETS				
	77,752	317,800	395,552	87,704
NET ASSETS, BEGINNING OF YEAR	1,556,762	9,001,944	10,558,706	10,471,002
NET ASSETS, END OF YEAR	\$ 1,634,514	\$ 9,319,744	\$ 10,954,258	\$ 10,558,706

See the accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 395,552	\$ 87,704
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Unrealized (gain) loss on investments	(448,076)	231,976
Realized gain on investments	(14,234)	(507,167)
Depreciation	1,404	1,527
Changes in Assets and Liabilities		
Accounts receivable	28,500	(16,727)
Prepaid accounts	1,919	(980)
Accounts payable	<u>(19,828)</u>	<u>(21,648)</u>
Net Cash Flows From Operating Activities	<u><u>(54,763)</u></u>	<u><u>(225,315)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds (sale) of investments	<u>273,110</u>	<u>(272,034)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,347	(497,349)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	556,094	1,053,443
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 774,441</u>	<u>\$ 556,094</u>

See the accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED TOTALS FOR 2018)**

	2019				2018
	Program	Management and General	Fundraising	Total	Total
Donated salaries and benefits	\$ 93,202	\$ 212,567	\$ 185,801	\$ 491,570	\$ 445,462
Donated facilities	4,754	13,582	8,828	27,164	28,581
Salaries and benefits	44,992	28,568	10,653	84,213	105,207
In-kind donations	22,015	-	-	22,015	25,262
Scholarships and grants	379,469	-	-	379,469	570,004
Stipends to students	119,200	-	628	119,828	164,186
Services - other	-	5,671	-	5,671	2,872
Office expenses	43,533	5,549	69,059	118,141	145,085
Printing	4,073	41	17,505	21,619	14,495
Telephone	25	1,260	-	1,285	1,260
Information technology	12,972	288	-	13,260	21,654
Conferences and travel	23,525	-	7,200	30,725	21,186
Equipment lease and maintenance	6,037	-	4,952	10,989	20,588
Membership dues and subscriptions	3,971	328	-	4,299	1,924
Advertising and promotion	-	-	2,440	2,440	26,637
Depreciation	1,404	-	-	1,404	1,527
Stewardship and administrative fee	103,425	-	-	103,425	154,437
Indirect cost fees	-	-	-	-	55,252
College support	37,662	1,315	12,293	51,270	91,979
Contract services	27,299	-	45,000	72,299	89,070
Other expenses	20,692	7,759	13,977	42,428	48,128
Total Expenses	<u><u>\$ 948,250</u></u>	<u><u>\$ 276,928</u></u>	<u><u>\$ 378,336</u></u>	<u><u>\$ 1,603,514</u></u>	<u><u>\$ 2,034,796</u></u>

See the accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 Foundation and the District are financial interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the ASC as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Revenue and Revenue Recognition

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

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

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

The Foundation's Federal informational tax returns for the years ended June 30, 2016, 2017, and 2018, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2015, 2016, 2017, and 2018, are open to audit by State authorities.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$2,440 during the year ended June 30, 2019.

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, 2019 and 2018, the Foundation had cash balances of \$318,208 and \$124,591, 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.

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, 2019, management had determined all accounts receivable are fully collectible, and no allowance for bad debts has been established.

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.

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, management and general, and fundraising activities.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes the presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Under this guidance, the Foundation is required to present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and changes in each of these two classes, on the face of the statement of financial position and statement of activities, respectively, rather than the previously required three classes (unrestricted, temporarily restricted, and permanently restricted).

The Foundation has implemented the provisions of this ASU as of June 30, 2019, because management believes it approves the Foundation's financial reporting.

New 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. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Although the full impact of this Update 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.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution, helps an entity to evaluate whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized. Accounting for contributions is an issue primarily for not-for-profit entities because contributions are a significant source of revenue. However, the amendments in the Update apply to all organizations that receive or make contributions of cash and other assets, including business enterprises. The amendments do not apply to transfers of assets from governments to businesses. For contributions received, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For contributions made, ASU 2018-08 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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:

	2019	2018
Cash and cash equivalents	\$ 774,441	\$ 556,094
Investments	856,735	985,335
Accounts receivable	5,000	33,500
Total Financial Assets Available Within One Year	<u><u>\$ 1,636,176</u></u>	<u><u>\$ 1,574,929</u></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 - NET ASSETS WITH DONOR RESTRICTIONS

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

Scholarships	\$ 1,292,427
Student assistance	1,751,220
Title V endowment grant	820,665
Total Donor-Restricted Net Assets	<u><u>\$ 3,864,312</u></u>

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2018:

Scholarships	\$ 1,136,376
Student assistance	1,668,984
Title V endowment grant	774,132
Total Donor-Restricted Net Assets	<u><u>\$ 3,579,492</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Endowed scholarships	\$ 3,455,432
Santa Ana Partnership - Award for Innovation	<u>2,000,000</u>
Total Donor-Restricted Net Assets	<u>\$ 5,455,432</u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2018:

Endowed scholarships	\$ 3,422,452
Santa Ana Partnership - Award for Innovation	<u>2,000,000</u>
Total Donor-Restricted Net Assets	<u>\$ 5,422,452</u>

NOTE 4 - INVESTMENTS

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

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

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2019 and 2018:

	2019	2018
Realized gain (loss) on investments	\$ 14,234	\$ 507,167
Unrealized gain (loss) on investments	448,076	(231,976)
Interest and dividends	<u>249,886</u>	<u>333,754</u>
Total Investment Income	<u>712,196</u>	<u>608,945</u>
Investment expenses	(49,990)	(50,063)
Total Investment Income, Net of Expenses	<u>\$ 662,206</u>	<u>\$ 558,882</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - 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, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

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

SANTA ANA COLLEGE FOUNDATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2018. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2018.

ASSETS	Level 1	Level 2	Total
Certificates of deposit	\$ 354,433	\$ -	\$ 354,433
Bonds	4,359,722	-	4,359,722
Equity securities	3,165,271	-	3,165,271
Real estate	-	11,961	11,961
Exchange traded funds	2,095,892	-	2,095,892
Total	<u>\$ 9,975,318</u>	<u>\$ 11,961</u>	<u>\$ 9,987,279</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Depreciable Assets		
Leasehold improvements	\$ 32,764	\$ 32,764
Furniture and equipment	11,074	12,553
	<u>43,838</u>	<u>45,317</u>
Accumulated depreciation	(39,861)	(39,936)
Total Depreciable Assets	<u>\$ 3,977</u>	<u>\$ 5,381</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$1,404 and \$1,527, respectively.

NOTE 7 - TITLE V ENDOWMENT GRANT

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 - RELATED PARTY TRANSACTIONS

Santa Ana College

Santa Ana College donates administrative services to the Foundation. Salaries and benefits for the Executive Director, administrative staff, and other services are paid primarily by the District; however, 10 percent of the Director's salary and 26 percent of the Accountant's salary are paid for by the Foundation for a total of \$84,213 and \$105,207, respectively, for fiscal years 2019 and 2018. Accordingly, the Foundation received \$491,570 and \$445,462 from the District for salaries and benefits for the years ended June 30, 2019 and 2018, 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 2019 and 2018 amounted to \$27,164 and \$28,581, respectively, which has been reflected in the financial statements as donated facilities.

NOTE 9 - DONOR DESIGNATED ENDOWMENTS

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019 and 2018, 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:

- a. The duration and preservation of the fund
- b. The mission of the Foundation and the purpose of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and/or deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Foundation
- g. 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Spending Policy

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

Funds with Deficiencies

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019, funds with original gift values of \$750,000, fair values of \$699,921, and deficiencies of \$50,079 were reported in net assets with donor restrictions.

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

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

Changes in endowment net assets as of June 30, 2018, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 5,637,728
Contributions	109,347
Investment income	174,847
Net appreciation	205,451
Administrative fees	(82,445)
Distributions	(125,951)
Endowment net assets, end of year	<u><u>\$ 5,918,977</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 - ADJUSTMENT RESULTING FROM CHANGE IN ACCOUNTING PRINCIPLE

As disclosed in Note 1, the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of June 30, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Foundation's June 30, 2018, net assets.

The effect on the Foundation's statement of activities as of June 30, 2018, is as follows:

	<u>As Previously Reported</u>	<u>Adoption of ASU 2016-14</u>	<u>As Adjusted</u>
Net Assets, End of the Year			
Unrestricted	\$ 1,556,762	\$ (1,556,762)	\$ -
Temporarily restricted net assets	3,579,492	(3,579,492)	-
Permanently restricted net assets	5,422,452	(5,422,452)	-
Net assets without donor restrictions	-	1,556,762	1,556,762
Net assets with donor restrictions	-	9,001,944	9,001,944

NOTE 11 - 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, 2019 through December 2, 2019, 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 year ended June 30, 2019, 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 2, 2019.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the June 30, 2018, financial statements have been adjusted to adopt this standard. Our opinion is not modified with respect to this matter.

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*.

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.

A handwritten signature in black ink that reads "Eddie Bailely CPA". The signature is fluid and cursive, with "Eddie" and "Bailely" connected by a single stroke, and "CPA" written in a smaller, more formal script below it.

Rancho Cucamonga, California
December 2, 2019