



Financial Statements
June 30, 2021 and 2020

Santa Ana College Foundation

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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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Rancho Cucamonga, California
December 7, 2021

Santa Ana College Foundation
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,290,048	\$ 1,322,177
Investments	144,680	144,100
Accounts receivable	-	9,500
Prepaid expenses	339	532
Total current assets	1,435,067	1,476,309
Noncurrent assets		
Investments	12,110,131	9,856,291
Property and equipment (net of accumulated depreciation)	1,733	2,855
Total noncurrent assets	12,111,864	9,859,146
Total assets	\$ 13,546,931	\$ 11,335,455
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 30,539	\$ 24,356
Net Assets		
Without donor restrictions	1,867,004	1,515,501
With donor restrictions	11,649,388	9,795,598
Total net assets	13,516,392	11,311,099
Total liabilities and net assets	\$ 13,546,931	\$ 11,335,455

Santa Ana College Foundation
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 5,095	\$ 814,978	\$ 820,073
Donated salaries and benefits	537,991	-	537,991
Donated facilities	29,225	-	29,225
In-kind donations	8,250	24,245	32,495
Indirect cost revenues	42,110	-	42,110
Special events	117,517	106,988	224,505
Stewardship and administrative fees	238,901	(238,901)	-
Assets released from restrictions	876,277	(876,277)	-
Total revenues	<u>1,855,366</u>	<u>(168,967)</u>	<u>1,686,399</u>
Expenses			
Program	1,097,422	-	1,097,422
Management and general	286,674	-	286,674
Fundraising	361,329	-	361,329
Total expenses	<u>1,745,425</u>	<u>-</u>	<u>1,745,425</u>
Other Income			
Realized gain on sale of investments	142,541	1,133,520	1,276,061
Unrealized gain on investments	77,591	708,835	786,426
Interest and dividends, net of expenses	21,430	180,402	201,832
Total other income	<u>241,562</u>	<u>2,022,757</u>	<u>2,264,319</u>
Change in Net Assets	351,503	1,853,790	2,205,293
Net Assets, Beginning of Year	<u>1,515,501</u>	<u>9,795,598</u>	<u>11,311,099</u>
Net Assets, End of Year	<u>\$ 1,867,004</u>	<u>\$ 11,649,388</u>	<u>\$ 13,516,392</u>

Santa Ana College Foundation
Statements of Activities
Years Ended June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 43,698	\$ 842,489	\$ 886,187
Donated salaries and benefits	516,287	-	516,287
Donated facilities	28,475	-	28,475
In-kind donations	-	34,524	34,524
Indirect cost revenues	45,950	-	45,950
Special events	106,700	67,900	174,600
Stewardship and administrative fees	114,782	(114,782)	-
Assets released from restrictions	773,417	(773,417)	-
Total revenues	<u>1,629,309</u>	<u>56,714</u>	<u>1,686,023</u>
Expenses			
Program	987,110	-	987,110
Management and general	291,420	-	291,420
Fundraising	531,913	-	531,913
Total expenses	<u>1,810,443</u>	<u>-</u>	<u>1,810,443</u>
Other Income			
Realized gain on sale of investments	23,923	60,741	84,664
Unrealized gain on investments	5,729	155,127	160,856
Interest and dividends, net of expenses	32,469	203,272	235,741
Total other income	<u>62,121</u>	<u>419,140</u>	<u>481,261</u>
Change in Net Assets	(119,013)	475,854	356,841
Net Assets, Beginning of Year	<u>1,634,514</u>	<u>9,319,744</u>	<u>10,954,258</u>
Net Assets, End of Year	<u>\$ 1,515,501</u>	<u>\$ 9,795,598</u>	<u>\$ 11,311,099</u>

Santa Ana College Foundation
 Statements of Functional Expenses
 Years Ended June 30, 2021 and 2020

	2021			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 104,678	\$ 218,630	\$ 214,683	\$ 537,991
Donated facilities	5,114	14,613	9,498	29,225
Salaries and benefits	100,998	43,276	14,131	158,405
In-kind donations	32,495	-	-	32,495
Scholarships and grants	473,866	-	-	473,866
Stipends to students	132,172	-	-	132,172
Services - other	-	-	-	-
Office expenses	30,709	1,632	27,060	59,401
Printing	-	-	6,690	6,690
Telephone	-	1,050	-	1,050
Information technology	13,361	-	6,644	20,005
Conferences and travel	550	-	2,547	3,097
Equipment lease and maintenance	4,717	-	-	4,717
Membership dues and subscriptions	-	2,991	20	3,011
Advertising and promotion	12,043	-	3,353	15,396
Depreciation	-	1,122	-	1,122
Indirect cost fees	-	-	-	-
Lobbying expenses	-	-	-	-
College support	14,995	-	-	14,995
Contract services	139,931	-	53,661	193,592
Other expenses	31,793	3,360	23,042	58,195
Total expenses	\$ 1,097,422	\$ 286,674	\$ 361,329	\$ 1,745,425

Santa Ana College Foundation
 Statements of Functional Expenses
 Years Ended June 30, 2021 and 2020

	2020			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 99,173	\$ 216,351	\$ 200,763	\$ 516,287
Donated facilities	4,983	14,238	9,254	28,475
Salaries and benefits	106,201	35,531	13,096	154,828
In-kind donations	34,524	-	-	34,524
Scholarships and grants	425,803	-	-	425,803
Stipends to students	129,903	-	-	129,903
Services - other	-	7,300	-	7,300
Office expenses	38,915	5,634	36,058	80,607
Printing	308	18	17,868	18,194
Telephone	-	1,260	-	1,260
Information technology	16,374	-	-	16,374
Conferences and travel	6,760	-	9,377	16,137
Equipment lease and maintenance	2,035	-	-	2,035
Membership dues and subscriptions	-	4,500	-	4,500
Advertising and promotion	-	-	3,149	3,149
Depreciation	-	1,122	-	1,122
Indirect cost fees	-	-	3,000	3,000
Lobbying expenses	-	-	175,000	175,000
College support	19,624	1,997	3,700	25,321
Contract services	83,758	537	39,346	123,641
Other expenses	18,749	2,932	21,302	42,983
Total expenses	\$ 987,110	\$ 291,420	\$ 531,913	\$ 1,810,443

Santa Ana College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 2,205,293	\$ 356,841
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gain on investments	(786,426)	(160,856)
Realized gain on investments	(1,276,061)	(84,664)
Depreciation	1,122	1,122
Changes in assets and liabilities		
Accounts receivable	9,500	(4,500)
Prepaid expenses	193	(532)
Accounts payable	6,183	18,717
	159,804	126,128
Cash Flows from Investing Activities		
Proceeds from sales of investments	6,718,652	3,934,801
Purchase of investments	(6,910,585)	(3,513,193)
	(191,933)	421,608
Net Change in Cash and Cash Equivalents	(32,129)	547,736
Cash and Cash Equivalents, Beginning of Year	1,322,177	774,441
Cash and Cash Equivalents, End of Year	\$ 1,290,048	\$ 1,322,177

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 two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the College are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the College as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Net Asset Accounting

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

Net Assets without Donor Restrictions – Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use towards scholarships, as well as all property, plant, and equipment of the Foundation.

Net Assets with Donor Restrictions – Net assets subject to donor restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Fair Value Measurements

The fair value of equity and debt securities with readily determinable fair values approximates their respective quoted market prices. The fair value of investments in partnerships and real estate held as investments is estimated using private valuations of the securities or properties held. Because of the inherent uncertainty of valuation methods, those estimated values might differ significantly from those used had a market existed. All other financial instruments' fair values approximate their carrying amounts due to the short maturities of these instruments.

Revenue and Revenue Recognition

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

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

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

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

Comparative Financial Information

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

Donated Assets, Services, and In-Kind Contributions

A substantial number of volunteers have donated their time and experience to the Foundation's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements because the recognition criteria were not met.

The Foundation records the value of donated assets and facilities when there is an objective basis available to measure their value. Donated services are recorded at market value when a specialized skill is provided that would have otherwise been purchased or paid. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies, unless they are passed through to the College.

Estimates

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

Income Taxes

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

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

Advertising Costs

Costs associated with advertising are expensed as incurred. At June 30, 2021 and 2020, total advertising costs were \$15,396 and \$3,149, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2021 and 2020, the Foundation had cash balances of \$691,182 and \$826,182, respectively, held in financial institutions in excess of Federal depository insurance coverage.

Investments

Investments in marketable securities with readily determinable fair values are presented at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income (interest and dividends) is included in the change in net assets from operations unless the gain or loss is restricted by donor or law.

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. At June 30, 2021 and 2020, the Foundation had investment balances in the amount of \$11,425,863 and \$9,172,971, respectively, held in the financial institution in excess of the SIPC coverage.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. Management provides an analysis of the probable collection of the accounts through a provision for bad debts. At June 30, 2021 and 2020, management had determined all accounts receivable are fully collectible, and no allowance for bad debts has been established.

Property and Equipment

The Foundation's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. The assets are stated at cost, or if donated, at estimated fair value on the date of donation. Depreciation for equipment and leasehold improvements is computed on a straight-line basis over an estimated useful life of three to five years.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, there are no shared costs among the programs, management and general, and fundraising activities that require allocation.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of ASU 2016-02 on the Foundation’s financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Foundation for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position comprise of the following at June 30,:

	2021	2020
Cash and cash equivalents	\$ 1,290,048	\$ 1,322,177
Investments	605,423	204,793
Accounts receivable	-	9,500
	\$ 1,895,471	\$ 1,536,470

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

Note 3 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2021:

	<u>Adjusted Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Certificates of deposit	\$ 328,948	\$ 328,948	\$ -
Bonds	4,358,997	4,662,873	303,876
Equity securities	4,343,465	4,653,438	309,973
Exchange traded funds	2,436,975	2,609,552	172,577
	<u>\$ 11,468,385</u>	<u>\$ 12,254,811</u>	<u>\$ 786,426</u>

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2020:

	<u>Adjusted Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain</u>
Certificates of deposit	\$ 327,420	\$ 327,420	\$ -
Bonds	3,188,217	3,243,504	55,287
Equity securities	2,405,264	2,445,434	40,170
Real estate	11,959	11,959	-
Exchange traded funds	3,906,675	3,972,074	65,399
	<u>\$ 9,839,535</u>	<u>\$ 10,000,391</u>	<u>\$ 160,856</u>

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

	<u>2021</u>	<u>2020</u>
Realized gain on investments	\$ 1,276,061	\$ 84,664
Unrealized gain on investments	786,426	160,856
Interest and dividends	254,396	286,608
	<u>2,316,883</u>	<u>532,128</u>
Investment expenses	(52,564)	(50,867)
	<u>\$ 2,264,319</u>	<u>\$ 481,261</u>

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. The following provides a summary of the hierarchical levels used to measure fair value:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2021. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2021.

	Level 1	Level 2	Total
Assets			
Certificates of deposit	\$ 328,948	\$ -	\$ 328,948
Bonds	4,662,873	-	4,662,873
Equity securities	4,653,438	-	4,653,438
Exchange traded funds	2,609,552	-	2,609,552
Total	\$ 12,254,811	\$ -	\$ 12,254,811

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

	Level 1	Level 2	Total
Assets			
Certificates of deposit	\$ 327,420	\$ -	\$ 327,420
Bonds	3,243,504	-	3,243,504
Equity securities	2,445,434	-	2,445,434
Real estate	-	11,959	11,959
Exchange traded funds	3,972,074	-	3,972,074
Total	\$ 9,988,432	\$ 11,959	\$ 10,000,391

Note 5 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	2021	2020
Depreciable Assets		
Leasehold improvements	\$ 32,764	\$ 32,764
Furniture and equipment	11,074	11,074
	<u>43,838</u>	<u>43,838</u>
Accumulated depreciation	(42,105)	(40,983)
Total depreciable assets	\$ 1,733	\$ 2,855

Depreciation expense for the years ended June 30, 2021 and 2020, was \$1,122.

Note 6 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2021:

Scholarships	\$ 2,528,835
Student assistance	2,600,091
Title V endowment grant	<u>996,030</u>
Total donor-restricted net assets	\$ 6,124,956

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

Scholarships		\$ 1,464,401
Student assistance		2,016,493
Title V endowment grant		<u>848,272</u>
 Total donor-restricted net assets		 <u><u>\$ 4,329,166</u></u>

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

Endowed scholarships		\$ 3,524,432
Santa Ana Partnership - Award for Innovation		<u>2,000,000</u>
 Total donor-restricted net assets		 <u><u>\$ 5,524,432</u></u>

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

Endowed scholarships		\$ 3,466,432
Santa Ana Partnership - Award for Innovation		<u>2,000,000</u>
 Total donor-restricted net assets		 <u><u>\$ 5,466,432</u></u>

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% 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 - Donor Designated Endowments

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The mission of the Foundation and the purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and/or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policy of the Foundation

Risk Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prudently invest in financial instruments which provide a reasonable measure of principal stability. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation targets a diversified asset allocation within prudent risk constraints.

Spending Policy

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

Funds with Deficiencies

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021, there were no funds with original gift values that exceeded their fair values.

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

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 6,094,906
Contributions	63,299
Investment income	121,580
Net appreciation	1,398,385
Administrative fees	(91,660)
Distributions	(132,832)
Amounts appropriated for expenditures	(39,723)
Endowment net assets, end of year	\$ 7,413,955

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

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 6,071,298
Contributions	7,055
Investment income	147,410
Net appreciation	147,347
Administrative fees	(82,365)
Distributions	(140,649)
Amounts appropriated for expenditures	(55,190)
Endowment net assets, end of year	\$ 6,094,906

Note 9 - Related Party Transactions

Santa Ana College donates administrative services to the Foundation. A portion of the salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District. Accordingly, the Foundation received \$537,991 and \$516,287 from the District for salaries and benefits for the years ended June 30, 2021 and 2020, 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 2021 and 2020 amounted to \$29,225 and \$28,475, respectively, which has been reflected in the financial statements as donated facilities.

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 June 30, 2021 through December 7, 2021 which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.