

SANTIAGO CANYON COLLEGE FOUNDATION

AUDITED FINANCIAL STATEMENTS

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

SANTIAGO CANYON COLLEGE FOUNDATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 1

FINANCIAL STATEMENTS..... 3

 Statement of Financial Position..... 3

 Statement of Activities 4

 Statement of Cash Flows 5

 Statement of Functional Expenses..... 6

 Notes to the Financial Statements 7

INDEPENDENT AUDITORS' REPORT

Board of Directors
Santiago Canyon College Foundation
Orange, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Directors
Santiago Canyon College Foundation

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

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



CliftonLarsonAllen LLP

Glendora, California
November 29, 2017

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Comparative Totals as of June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalent	\$ 195,925	\$ 170,644
Accounts receivable	800	800
Prepaid expenditures	14,891	12,891
Total Current Assets	<u>211,616</u>	<u>184,335</u>
Non-Current Assets:		
Investments- unrestricted	875,305	809,268
Investments- restricted	483,015	388,508
Investments with FCCC	106,233	98,920
Total Non-Current Assets	<u>1,464,553</u>	<u>1,296,696</u>
Total Assets	<u>\$ 1,676,169</u>	<u>\$ 1,481,031</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 17,509	\$ 22,790
Total Current Liabilities	<u>17,509</u>	<u>22,790</u>
Net Assets:		
Unrestricted	887,825	870,551
Temporarily restricted	642,980	459,835
Permanently restricted	127,855	127,855
Total Net Assets	<u>1,658,660</u>	<u>1,458,241</u>
Total Liabilities and Net Assets	<u>\$ 1,676,169</u>	<u>\$ 1,481,031</u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Support and revenue					
Contributions	\$ 14,101	\$ 383,613	\$ -	\$ 397,714	\$ 298,120
Donated salaries and benefits	128,941			128,941	96,533
Special events		32,524		32,524	31,710
Total Support	<u>143,042</u>	<u>416,137</u>	<u>-</u>	<u>559,179</u>	<u>426,363</u>
Other income					
Realized gain on investments	108,330	1,242		109,572	15,763
Unrealized gain (loss) on investments	(32,463)	61,385		28,922	(32,319)
Interest and dividends, net of expenses	15,453	(622)		14,831	31,848
Change in value, investments with FCCC		7,313		7,313	1,692
Total Other Income	<u>91,320</u>	<u>69,318</u>	<u>-</u>	<u>160,638</u>	<u>16,984</u>
Total revenues before net assets released from restrictions	234,362	485,455	-	719,817	443,347
Net assets released from restrictions	<u>302,310</u>	<u>(302,310)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>536,672</u>	<u>183,145</u>	<u>-</u>	<u>719,817</u>	<u>443,347</u>
Operating Expenses					
Program services	385,122			385,122	387,904
Supporting services					
Management and general	90,691			90,691	88,407
Fundraising	43,585			43,585	61,221
Total Expenses	<u>519,398</u>	<u>-</u>	<u>-</u>	<u>519,398</u>	<u>537,532</u>
Change in net assets	<u>17,274</u>	<u>183,145</u>	<u>-</u>	<u>200,419</u>	<u>(94,185)</u>
Net Assets					
Beginning of year	<u>870,551</u>	<u>459,835</u>	<u>127,855</u>	<u>1,458,241</u>	<u>1,552,426</u>
End of year	<u>\$ 887,825</u>	<u>\$ 642,980</u>	<u>\$ 127,855</u>	<u>\$ 1,658,660</u>	<u>\$ 1,458,241</u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from operating activities		
Cash received from donations and fundraising	\$ 430,238	\$ 327,164
Cash paid for student scholarships and campus programs	(299,971)	(251,607)
Cash paid for operating expenses and fundraising	<u>(82,936)</u>	<u>(143,164)</u>
Net cash provided (used) by operating activities	<u>47,331</u>	<u>(67,607)</u>
 Cash flows from investing activities		
Proceeds from sale of investments	61,119	467,078
Purchase of investments	(98,000)	(376,168)
Reinvested interest and dividends, net of expenses	<u>14,831</u>	<u>31,848</u>
Net cash provided (used) by investing activities	<u>(22,050)</u>	<u>122,758</u>
 Net increase in cash and cash equivalents	25,281	55,151
 Cash and cash equivalents, beginning of year	<u>170,644</u>	<u>115,493</u>
 Cash and cash equivalents, end of year	<u>\$ 195,925</u>	<u>\$ 170,644</u>
 Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 200,419	\$ (94,185)
Adjustment to reconcile change in net assets to cash provided (used) by operating activities		
Realized and unrealized (gain)/loss on investments	(138,494)	16,556
Change in value, investments with FCCC	(7,313)	(1,692)
(Increase) decrease in operating assets:		
Accounts receivable	-	2,666
Prepaid expense	(2,000)	(751)
Increase (decrease) in operating liabilities:		
Accounts payable	<u>(5,281)</u>	<u>9,799</u>
Net cash provided (used) by operating activities	<u>\$ 47,331</u>	<u>\$ (67,607)</u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>June 30, 2017</u>			<u>June 30, 2016</u>	
	Program Services	Management and General	Fundraising	Total	Total
Donated salaries and benefits	\$ 44,382	\$ 55,904	\$ 28,655	\$ 128,941	\$ 96,533
Scholarships and grants	285,513			285,513	237,368
Salaries and wages				-	86,646
Advertising and promotion		1,155		1,155	2,125
Office expenses	3,599	5,481	3,514	12,594	20,287
Information technology		11,997		11,997	11,224
Conferences and meetings		2,384		2,384	3,309
Contracted services	33,429	3,608	9,482	46,519	49,279
Equipment	2,796	417		3,213	3,618
College support	13,800		658	14,458	14,239
Printing	3	3,367	1,276	4,646	1,779
Shipping and delivery		168		168	172
Memberships and dues		2,900		2,900	1,600
Other expenses	1,600	3,310		4,910	9,353
	<u>\$ 385,122</u>	<u>\$ 90,691</u>	<u>\$ 43,585</u>	<u>\$ 519,398</u>	<u>\$ 537,532</u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 1: ORGANIZATION

Santiago Canyon College Foundation (the Foundation) is a nonprofit organization founded on May 12, 1998 for the purpose of receiving contributions for the support and advancement of education on behalf of Santiago Canyon College (the College). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

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

Accounts Payable

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

Classification of Net Assets

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

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarship and educational program funds.

Permanently Restricted Net Assets

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

Functional Allocation of Expenses

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

Contributions

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

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

Donated Services

The Foundation records the value of donated services 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. See Note 8 for additional disclosure.

In-Kind Donations

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

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comparative Totals

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

Reclassifications

Certain reclassifications to the summarized comparative information have been made to conform to the current year presentation. The reclassifications has no effect on the previously reported net assets or change in net assets.

Use of Estimates

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

Income Taxes

The Foundation is a non-profit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

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

Subsequent Events

The Foundation has evaluated subsequent events through November 29, 2017, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2017.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 3: CONCENTRATION OF CREDIT RISK

Financial Instruments and Credit Risk

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

Deposits

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

Investments

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values.

NOTE 4: INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Realized gain (loss) on investments	\$ 109,572	\$ 15,763
Unrealized loss on investments	28,922	(32,319)
Interest and dividends	25,526	31,848
Total investment income	<u>164,020</u>	<u>15,292</u>
Investment expenses	<u>(10,695)</u>	<u>-</u>
Total investment income, net of expenses	<u>\$ 153,325</u>	<u>\$ 15,292</u>

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 4: INVESTMENTS

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

	June 30, 2017		June 30, 2016	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 77,625	\$ 77,625	\$ 135,247	\$ 135,247
Equities (Level 1)	138,423	207,001	344,737	334,560
Fixed income (Level 1)			114,115	113,075
Mutual funds (Level 2)	1,002,687	1,073,694	633,596	614,894
Total	\$ 1,218,735	\$ 1,358,320	\$ 1,227,695	\$ 1,197,776

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

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

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

NOTE 5: NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$302,310 were released from temporary donor restrictions during the fiscal year 2016-17. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 6: RESTRICTED NET ASSETS

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

	June 30, 2017	June 30, 2016
Temporarily restricted		
Scholarships	\$ 578,423	\$ 398,714
Osher scholarships	11,441	4,128
Other restricted programs	53,116	56,993
Total temporarily restricted	\$ 642,980	\$ 459,835
Permanently restricted		
Endowed scholarships	\$ 33,063	\$ 33,063
Osher scholarships	94,792	94,792
Total permanently restricted	\$ 127,855	\$ 127,855

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 7: INVESTMENTS WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

The Foundation has transferred a total of \$94,792 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC (Level 2). At June 30, 2017 the fair value of this investment was \$106,233, which consisted of cash of \$5,312, equity securities of \$69,052 and fixed income instruments of \$31,869. Net investment income of \$12,447 and fund distributions of \$5,133 were recognized during the year ended June 30, 2017 as a change in value for investments with FCCC.

Changes in FCCC net assets for the year ended June 30, 2017:

	June 30, 2017		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,128	\$ 94,792	\$ 98,920
Investment return:			
Investment income, net of expenses	1,890		1,890
Net appreciation (realized and unrealized)	10,556		10,556
Total investment return	12,446	-	12,446
Other changes:			
Fund distributions	(5,133)		(5,133)
Total other changes	(5,133)	-	(5,133)
Endowment net assets, end of year	\$ 11,441	\$ 94,792	\$ 106,233

NOTE 8: RELATED PARTIES

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

The Foundation was organized as independent organization under California Business Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. Salaries and benefits for the Executive Director, administrative staff, and other services are paid primarily by the District; however, a small

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

NOTE 8: RELATED PARTIES

portion of salaries and benefits were paid for by the Foundation in 2015-16. The donated services for the year ended June 30, 2017 and 2016 were valued at \$128,941 and \$96,533, respectively, and are reflected in the financial statements as donated services.

Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The value of donated facilities has not been determined and is therefore not included in the financial statements; however, management does not believe the amount to be significant.