

SANTIAGO CANYON COLLEGE FOUNDATION

FINANCIAL STATEMENTS

**For the Fiscal Year Ended June 30, 2018
with Comparative Totals for the Fiscal Year Ended June 30, 2017
and Independent Auditors' Report**

SANTIAGO CANYON COLLEGE FOUNDATION

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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, 2018, and the related statements of activities, cash flows, and functional expenses for the fiscal 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, 2018, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Glendora, California
November 20, 2018

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With Comparative Totals as of June 30, 2017

	June 30, 2018	June 30, 2017
<u>Assets</u>		
Current Assets:		
Cash and cash equivalent	\$ 256,594	\$ 195,925
Accounts receivable	-	800
Prepaid expenditures	-	14,891
Total Current Assets	256,594	211,616
 Non-Current Assets:		
Investments- unrestricted	896,841	875,305
Investments- restricted	501,657	483,015
Investments with FCCC	107,720	106,233
Total Non-Current Assets	1,506,218	1,464,553
Total Assets	\$ 1,762,812	\$ 1,676,169
 <u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 1,825	\$ 17,509
Total Current Liabilities	1,825	17,509
 Net Assets:		
Unrestricted	899,119	887,825
Temporarily restricted	734,013	642,980
Permanently restricted	127,855	127,855
Total Net Assets	1,760,987	1,658,660
Total Liabilities and Net Assets	\$ 1,762,812	\$ 1,676,169

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

	June 30, 2018			June 30, 2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue					
Support and revenue					
Contributions	\$ 12,131	\$ 345,972	\$ -	\$ 358,103	\$ 397,714
Donated salaries and benefits	106,355			106,355	128,941
Special events		44,268		44,268	32,524
Total Support	<u>118,486</u>	<u>390,240</u>	<u>-</u>	<u>508,726</u>	<u>559,179</u>
Other income					
Realized gain on investments	44,665	5,197		49,862	109,572
Unrealized gain (loss) on investments	(13,797)	18,942		5,145	28,922
Interest and dividends, net of expenses	18,794	15,413		34,207	14,831
Change in value, investments with FCCC		1,487		1,487	7,313
Total Other Income	<u>49,662</u>	<u>41,039</u>	<u>-</u>	<u>90,701</u>	<u>160,638</u>
Total revenues before net					
assets released from restrictions	168,148	431,279	-	599,427	719,817
Net assets released from restrictions	340,246	(340,246)		-	-
Total Revenue	<u>508,394</u>	<u>91,033</u>	<u>-</u>	<u>599,427</u>	<u>719,817</u>
Operating Expenses					
Program services	367,916			367,916	385,122
Supporting services					
Management and general	80,865			80,865	90,691
Fundraising	48,319			48,319	43,585
Total Expenses	<u>497,100</u>	<u>-</u>	<u>-</u>	<u>497,100</u>	<u>519,398</u>
Change in net assets	<u>11,294</u>	<u>91,033</u>	<u>-</u>	<u>102,327</u>	<u>200,419</u>
Net Assets					
Beginning of year	887,825	642,980	127,855	1,658,660	1,458,241
End of year	<u>\$ 899,119</u>	<u>\$ 734,013</u>	<u>\$ 127,855</u>	<u>\$ 1,760,987</u>	<u>\$ 1,658,660</u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from operating activities		
Cash received from donations and fundraising	\$ 403,171	\$ 430,238
Cash paid for student scholarships and campus programs	(321,278)	(299,971)
Cash paid for operating expenses and fundraising	<u>(37,653)</u>	<u>(82,936)</u>
Net cash provided by operating activities	<u>44,240</u>	<u>47,331</u>
 Cash flows from investing activities		
Proceeds from sale of investments	231,272	61,119
Purchase of investments	(249,048)	(98,000)
Reinvested interest and dividends, net of expenses	<u>34,207</u>	<u>14,831</u>
Net cash provided (used) by investing activities	<u>16,431</u>	<u>(22,050)</u>
 Net increase in cash and cash equivalents	60,671	25,281
 Cash and cash equivalents, beginning of year	<u>195,925</u>	<u>170,644</u>
 Cash and cash equivalents, end of year	<u><u>\$ 256,594</u></u>	<u><u>\$ 195,925</u></u>
 Reconciliation of change in net assets to cash provided by operating activities		
Change in net assets	\$ 102,327	\$ 200,419
Adjustment to reconcile change in net assets to cash provided (used) by operating activities		
Realized and unrealized (gain)/loss on investments	(55,007)	(138,494)
Change in value, investments with FCCC	(1,487)	(7,313)
(Increase) decrease in operating assets:		
Accounts receivable	(800)	-
Prepaid expense	14,891	(2,000)
Increase (decrease) in operating liabilities:		
Accounts payable	<u>(15,684)</u>	<u>(5,281)</u>
Net cash provided by operating activities	<u><u>\$ 44,240</u></u>	<u><u>\$ 47,331</u></u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

	June 30, 2018				June 30, 2017
	Program Services	Management and General	Fundraising	Total	Total
Donated salaries and benefits	\$ 37,224	\$ 45,733	\$ 23,398	\$ 106,355	\$ 128,941
Scholarships and grants	300,150			300,150	285,513
Advertising and promotion		2,205		2,205	1,155
Office expenses	7,191	6,429	1,864	15,484	12,594
Information technology		11,281		11,281	11,997
Conferences and meetings		2,469		2,469	2,384
Contracted services	(500)	1,600	20,889	21,989	46,519
Equipment		232		232	3,213
College support	20,675		453	21,128	14,458
Printing	1	538	1,715	2,254	4,646
Shipping and delivery		168		168	168
Memberships and dues				-	2,900
Other expenses	3,175	10,210	-	13,385	4,910
	<u>\$ 367,916</u>	<u>\$ 80,865</u>	<u>\$ 48,319</u>	<u>\$ 497,100</u>	<u>\$ 519,398</u>

See accompanying notes to the financial statements.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

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 Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

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 whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of 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 fair 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 Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

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. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Foundation's financial statements for the fiscal year ended June 30, 2017.

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 20, 2018, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2018.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

NOTE 3: CONCENTRATION OF CREDIT RISK

Financial Instruments and Credit Risk

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

Deposits

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

Investments

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

NOTE 4: INVESTMENTS

The following schedule summarizes the investment return and its classification in the statement of activities for the fiscal years ended June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Realized gain (loss) on investments	\$ 49,862	\$ 109,572
Unrealized loss on investments	5,145	28,922
Interest and dividends	46,494	25,526
Total investment income	<u>101,501</u>	<u>164,020</u>
Investment expenses	<u>(12,287)</u>	<u>(10,695)</u>
Total investment income, net of expenses	<u>\$ 89,214</u>	<u>\$ 153,325</u>

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

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

NOTE 4: INVESTMENTS

available. A three-tier hierarchy categorizes the inputs 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.

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2018 and 2017:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 67,327	\$ 67,327	\$ 77,625	\$ 77,625
Stocks - Equities (Level 1)	121,944	176,543	138,423	207,001
Exchange Traded Funds - Fixed income (Level 1)	240,360	282,334	262,149	287,955
Mutual funds (Level 2)	859,672	872,294	740,538	785,739
Total	<u>\$ 1,289,303</u>	<u>\$ 1,398,498</u>	<u>\$ 1,218,735</u>	<u>\$ 1,358,320</u>

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

NOTE 5: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$340,246 were released from temporary donor restrictions during the fiscal year 2017-18. The Foundation met donor imposed restrictions by incurring qualified expenses.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

NOTE 6: RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets consist of the following at June 30, 2018 and 2017:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Temporarily restricted		
Scholarships	\$ 622,582	\$ 578,423
Osher scholarships	12,928	11,441
Other restricted programs	98,503	53,116
Total temporarily restricted	<u>\$ 734,013</u>	<u>\$ 642,980</u>
Permanently restricted		
Endowed scholarships	\$ 33,063	\$ 33,063
Osher scholarships	94,792	94,792
Total permanently restricted	<u>\$ 127,855</u>	<u>\$ 127,855</u>

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, 2018 the fair value of this investment was \$107,720, which consisted of cash of \$5,386, equity securities of \$26,930 and fixed income instruments of \$28,007. Net investment income of \$6,620 and fund distributions of \$5,133 were recognized during the fiscal year ended June 30, 2018 as a change in value for investments with FCCC. 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 fiscal year ended June 30, 2017 as a change in value for investments with FCCC.

SANTIAGO CANYON COLLEGE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

With Comparative Totals for the Fiscal Year Ended June 30, 2017

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

Changes in FCCC net assets for the fiscal year ended June 30, 2018 and 2017:

	June 30, 2018			June 30, 2017
	Temporarily Restricted	Permanently Restricted	Total	Total
Endowment net assets, beginning of year	\$ 11,441	\$ 94,792	\$ 106,233	\$ 98,920
Investment return:				
Investment income, net of expenses	1,742		1,742	1,890
Net appreciation (realized and unrealized)	4,878		4,878	10,556
Total investment return	<u>6,620</u>	<u>-</u>	<u>6,620</u>	<u>12,446</u>
Other changes:				
Fund distributions	<u>(5,133)</u>	<u>-</u>	<u>(5,133)</u>	<u>(5,133)</u>
Total other changes	<u>(5,133)</u>	<u>-</u>	<u>(5,133)</u>	<u>(5,133)</u>
Endowment net assets, end of year	<u>\$ 12,928</u>	<u>\$ 94,792</u>	<u>\$ 107,720</u>	<u>\$ 106,233</u>

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 by the District. The donated services for the fiscal year ended June 30, 2018 and 2017 were valued at \$106,355 and \$128,941, 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.