

**SADDLEBACK COLLEGE FOUNDATION**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2018**

**And**

**Independent Auditors' Report**

**SADDLEBACK COLLEGE FOUNDATION  
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**June 30, 2018**

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CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Saddleback College Foundation  
28000 Marguerite Parkway  
Mission Viejo, CA 92692

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Saddleback College Foundation (the Foundation), a component unit of the South Orange County Community College District, 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 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.

### **Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain 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

## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Saddleback College Foundation

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 on page one present fairly, in all material respects, the respective financial position of the Saddleback College Foundation as of June 30, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP  
Glendora, California  
October 29, 2018

# SADDLEBACK COLLEGE FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2018

### Assets

#### **Current Assets:**

Cash and cash equivalents	\$ 309,036
Accounts receivable	12,559
Contributions receivable - Current Portion	4,000
Investments, at fair value	583,147
Prepays	50,581
<b>Total Current Assets</b>	<u>959,323</u>

#### **Non-Current Assets:**

Contributions receivable, net of discount	920,559
Investments, at fair value	7,980,357
Investments with FCCC	936,808
<b>Total Non-Current Assets</b>	<u>9,837,724</u>
<b>Total Assets</b>	<u><u>\$ 10,797,047</u></u>

### Liabilities and Net Assets

#### **Current Liabilities:**

Accounts payable	\$ 21,603
Accrued liabilities	198,870
<b>Total Current Liabilities</b>	<u>220,473</u>

#### **Net Assets:**

Unrestricted	1,603,005
Temporarily restricted	5,120,142
Permanently restricted	3,853,427
<b>Total Net Assets</b>	<u>10,576,574</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 10,797,047</u></u>

See the accompanying notes to the financial statements

# SADDLEBACK COLLEGE FOUNDATION

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Support				
Contributions	\$ 710,106	\$ 642,852	\$ 212,817	\$ 1,565,775
Special events income - fundraisers	122,499	129,727	-	252,226
Sales and commissions	59,053	179,864	-	238,917
In-kind donations	51,607	-	-	51,607
Donated services	431,473	-	-	431,473
Donated professional fees	9,000	-	-	9,000
<b>Total Support</b>	<u>1,383,738</u>	<u>952,443</u>	<u>212,817</u>	<u>2,548,998</u>
Other income, gains and losses				
Rental income	-	5,800	-	5,800
Investment income	34,762	113,462	-	148,224
Realized gain (loss) on investments	142,165	523,710	-	665,875
Unrealized gain (loss) on investments	(66,589)	(245,301)	-	(311,890)
Change in value of FCCC investments	-	14,594	-	14,594
Other income	117,422	118,090	-	235,512
<b>Total Other Income, Gains, and Losses</b>	<u>227,760</u>	<u>530,355</u>	<u>-</u>	<u>758,115</u>
Total revenues before net assets released from restrictions	1,611,498	1,482,798	212,817	3,307,113
<b>Net assets released from restrictions</b>	<u>1,453,231</u>	<u>(1,453,231)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>3,064,729</u>	<u>29,567</u>	<u>212,817</u>	<u>3,307,113</u>
<b>Operating Expenses</b>				
Program services	1,901,689			1,901,689
Supporting services				
Management and general	223,912			223,912
Fundraising	334,956			334,956
<b>Total Expenses</b>	<u>2,460,557</u>	<u>-</u>	<u>-</u>	<u>2,460,557</u>
<b>Change in net assets</b>	<u>604,172</u>	<u>29,567</u>	<u>212,817</u>	<u>846,556</u>
<b>Net Assets</b>				
Beginning of year	<u>998,833</u>	<u>5,090,575</u>	<u>3,640,610</u>	<u>9,730,018</u>
End of year	<u>\$ 1,603,005</u>	<u>\$ 5,120,142</u>	<u>\$ 3,853,427</u>	<u>\$ 10,576,574</u>

See the accompanying notes to the financial statements

# SADDLEBACK COLLEGE FOUNDATION

## STATEMENT OF CASH FLOWS For the Year Ended June 30, 2018

### Cash flows from operating activities

Contributions and special events	\$ 1,826,001
Sales and commissions	240,967
Investment income	148,224
Other income	241,312
Payments to/on behalf of employees	(655,343)
Payments to suppliers	(947,867)
Payments to/on behalf of students	(514,781)
Net cash provided by operating activities	<u>338,513</u>

### Cash flows from investing activities

Purchase of investments	(4,865,481)
Proceeds from sale of investment	<u>4,743,623</u>
Net cash used by investing activities	<u>(121,858)</u>
Net increase in cash and cash equivalents	216,655
Cash and cash equivalents, beginning of year	<u>92,381</u>
Cash and cash equivalents, end of year	<u><u>\$ 309,036</u></u>

### Reconciliation of change in net assets to cash provided by operating activities

Change in net assets	\$ 846,556
Adjustment to reconcile change in net assets to cash provided by operating activities	
Realized and unrealized loss on investments	(368,579)
Change in assets - (increase)/decrease:	
Accounts receivable	2,050
Contributions receivable	8,000
Prepays	(13,814)
Change in liabilities - increase/(decrease):	
Accounts payable	2,321
Accrued liabilities	<u>(138,021)</u>
Net cash provided by operating activities	<u><u>\$ 338,513</u></u>

See the accompanying notes to the financial statements

# SADDLEBACK COLLEGE FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSE For the Year Ended June 30, 2018

	Program Services	Management & General	Fundraising	Total
Salaries and benefits	\$ 407,024	\$ 65,200	\$ 45,098	\$ 517,322
Scholarships and grants	514,781	-	-	514,781
Donated services	254,545	107,007	69,921	431,473
Donated professional fees	9,000	-	-	9,000
In-kind donations	51,607	-	-	51,607
Investment management fees	-	36,201	-	36,201
Supplies and printing	22,879	-	-	22,879
Conference and meetings	16,662	1,674	-	18,336
Dues and membership	8,516	-	-	8,516
Equipment	36,492	-	-	36,492
Contract services	136,602	12,737	-	149,339
Special events	-	-	219,937	219,937
Program expenses	301,717	-	-	301,717
Other expenses	141,864	1,093	-	142,957
<b>Total</b>	<u>\$ 1,901,689</u>	<u>\$ 223,912</u>	<u>\$ 334,956</u>	<u>\$ 2,460,557</u>

See the accompanying notes to the financial statements



**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: ORGANIZATION**

**Organization and Nature of Activities**

Saddleback College Foundation (the Foundation) is a California, nonprofit public benefit corporation founded on December 5, 2003, for the purpose of receiving contributions to further the educational purposes of Saddleback College which is part of the South Orange Community College District (the District). The principal sources of revenue for the Foundation include donor contributions and investment related income.

**Financial Statement Presentation and Basis of Accounting**

The Foundation prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned rather than when cash is received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed. The financial statements include the accounts maintained by, and directly under, the control of the Foundation.

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include all resources available for use by the Board of Governors and management's discretion in carrying out the activities of the Foundation in accordance with its Bylaws. Temporarily or permanently restricted net assets are restricted by the donor or as matter of law. Temporarily restricted net assets are only expendable for the purposes specified by the donor or through the passage of time. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets are generally required to be held by the organization in perpetuity while the earnings on those assets are available for use by the organization to support its activities. Donors can place restrictions on the earnings from permanently restricted contributions at the time the contributions are made or pledged.

**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.

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: ORGANIZATION**

**Public Support and Revenue**

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

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

**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.

**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 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. Accordingly, no provision for income taxes has been reflected in these financial statements.

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1: ORGANIZATION**

US GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The primary tax positions evaluated are related to the Foundation's continued qualification as a tax-exempt organization. The statute of limitations for federal and California purposes is generally three and four years, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking accounts. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2018, the Foundation did not have any cash balances held in financial institutions in excess of Federal depository insurance coverage. For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**Investments**

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

**Functional Allocation of Expenses**

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

**NOTE 2: RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 consist of amounts restricted for use in providing scholarships and other program services to Saddleback College.

Permanently restricted net assets are restricted for investment in perpetuity, which represents the Foundation's endowment funds.

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 3: DONATED SERVICES**

During the year, many individuals donate significant amounts of time and services to the Foundation to advance the programs and objectives of the Foundation. Donated services and professional fees are reflected in the accompanying statements when the criteria for recognition have been met and are recorded at fair value. Donated services include the value of Foundation services paid for salaries and benefits and professional fees paid by the District.

**NOTE 4: CONTRIBUTIONS RECEIVABLE**

Unconditional pledges at June 30, 2018 consist of the following:

Receivable - less than one year	\$ 4,000
Receivable - one to five years	20,000
Receivable - more than five years	1,588,840
Gross unconditional pledges	1,612,840
Less discount	(688,281)
Net pledges receivable	<u>\$ 924,559</u>

Contributions receivable have been discounted at a rate of 6%.

**NOTE 5: INVESTMENTS**

Investments are recorded at cost at date of acquisition or fair value at date of donation. The cost and fair value of investments at June 30, 2018 are as follows:

Investments	Cost	Fair Value	Level 1	Level 2	Level 3
Stocks	\$ 1,225,730	\$ 1,314,260	\$ 1,314,260	\$ -	\$ -
Equity and fixed income funds	1,306,416	1,898,833	1,898,833	-	-
Mutual funds	3,439,248	3,333,174	3,333,174	-	-
Money Market	583,147	583,147	583,147	-	-
Alternative investments	1,626,943	1,434,090	-	750,798	683,292
	<u>\$ 8,181,484</u>	<u>\$ 8,563,504</u>	<u>\$ 7,129,414</u>	<u>\$ 750,798</u>	<u>\$ 683,292</u>

Levels 1 through 3 have been assigned to the fair value measurements of investments. The fair value level 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.

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 5: INVESTMENTS**

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

Interest and dividends	\$ 148,224
Realized gain on investments, net	665,875
Unrealized loss on investments, net	(311,890)
Total Investment Income	<u>\$ 502,209</u>

The fair value of the Foundation's investments in certain hedge funds have been reported using the net asset value as reported by the management of the respective alternative investment. Therefore, the amounts reported by the alternative investment fund are classified as Level 3.

The table below presents information about recurring fair value measurements that use significant unobservable inputs (level 3 measurements):

	<u>Hedge Funds</u>
Balance at July 1, 2017	\$ 949,923
Total gains or losses for the period	(266,631)
Purchases and sales	
Purchases	-
Sales	-
Transfer to level 1	-
Balance at June 30, 2018	<u>\$ 683,292</u>
Gains and losses for the period included in the change in unrestricted net assets	\$ -
Change in unrealized gains and losses for the period included in the change in net assets, for assets held at the end of the reporting period	(266,631)
Total gains (losses) for the period	<u>\$ (266,631)</u>

**NOTE 6: INVESTMENT 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 \$803,440 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2018 the fair value of this investment was \$936,808, which consisted of cash of \$46,840, equity securities of \$646,397 and fixed income instruments of \$243,570 measured at quoted prices in active markets for identical assets

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 6: INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)**

(Level 1). Net investment income of \$57,494 was recognized during the year ended June 30, 2018. Fund distributions from investment returns for the year ended June 30, 2018 were \$42,900. These distributions were not recognized as a decrease in contributions for the year ended June 30, 2018.

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

	Temporarily Restricted	Permanently Restricted	Total
Investments with FCCC, beginning of year	\$ 118,774	\$ 803,440	\$ 922,214
Investment return:			
Investment income, net of expenses	15,139	-	15,139
Net appreciation (realized and unrealized)	42,355	-	42,355
Total investment return	57,494	-	57,494
Other changes:			
Distributions	(42,900)	-	(42,900)
Total other changes	(42,900)	-	(42,900)
Change in value, FCCC investment	14,594	-	14,594
Investments with FCCC, end of year	\$ 133,368	\$ 803,440	\$ 936,808

The CCCSE was set up to provide matching scholarship funds for California community colleges. The CCCSE was formed through a \$50 million matching commitment from the Osher Foundation and a lead contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at \$1,100 for a school year. The Foundation received \$81,400 from the Osher Foundation during the year ended June 30, 2018 for scholarships.

**NOTE 7: GIFT ANNUITIES**

The Foundation is a named beneficiary of charitable gift annuities administered by the Community College League of California. The Foundation is entitled to the remaining funds in the annuities designated by the donors at the end of the donors' lifetime. The balance of annuity investments at June 30, 2018, is \$37,985. The receivable is measured at fair market value as this approximates the estimate of discounted future cash flows. The receivable balance is \$39,862 as of June 30, 2018.

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: ENDOWMENTS**

The Foundation's endowment consists of approximately 79 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Governors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Governors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of the Foundation and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: ENDOWMENTS**

Changes in donor-restricted endowment net assets for the fiscal year June 30, 2018:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 636,987	\$ 3,640,610	\$ 4,277,597
Contributions	<u>221,461</u>	<u>212,817</u>	<u>434,278</u>
Investment return:			
Investment income, net of expenses	14,594		14,594
Net appreciation (realized and unrealized)	<u>158,393</u>	<u>-</u>	<u>158,393</u>
Total investment return	<u>172,987</u>	<u>-</u>	<u>172,987</u>
Other changes:			
Distributions	<u>(133,117)</u>	<u>-</u>	<u>(133,117)</u>
Total other changes	<u>(133,117)</u>	<u>-</u>	<u>(133,117)</u>
Endowment net assets, end of year	<u>\$ 898,318</u>	<u>\$ 3,853,427</u>	<u>\$ 4,751,745</u>

**Funds with deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with GAAP, there are no funds with deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2018.

**Return objectives and risk parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Governors, the endowment assets are invested in a manner that is intended to maintain a permanent portfolio with sufficient protection to ensure the continuing ability of the Foundation to meet its changing needs and obligation and to provide the best possible return on investment. The Foundation expects its endowment funds, measured over a full market cycle or spending rate of ten years, to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets. Actual returns in any given year may vary from this amount.



**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: ENDOWMENTS**

**Strategies employed for achieving objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on quality-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy**

The Foundation has a policy to annually designate a base spending rate on the principle of the endowment fund. In setting the base spending rate, the Foundation considers the rate of increase in the Consumer Price Index, the average annual investment return, and the operating cost rate for the previous calendar year. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**NOTE 9: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$1,453,231 were released from temporary donor restrictions during the fiscal year 2017-18. The Foundation met donor imposed restrictions by incurring qualified expenses.

**NOTE 10: RELATED PARTIES**

To assist the Foundation in carrying out its purpose, the South Orange County Community College District (the District) provides administrative services to the Foundation. The District pays salaries and benefits of the executive director and the senior accounting specialist. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services and professional fees for the fiscal year 2017-18 were valued at \$431,473 and \$9,000, respectively. These amounts have been reflected in the financial statements as donated services and facilities revenues and expenses.

**NOTE 11: CONTINGENCIES**

The Foundation may be subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management all such matters are adequately covered by insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a

**SADDLEBACK COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 11: CONTINGENCIES**

significant effect on the financial position or results of operations of the Foundation if disposed of unfavorably.

**NOTE 12: SUBSEQUENT EVENTS**

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 29, 2018 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.