

SADDLEBACK COLLEGE FOUNDATION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**SADDLEBACK COLLEGE FOUNDATION
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YEARS ENDED JUNE 30, 2020 AND JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Saddleback College Foundation
Mission Viejo, California

We have audited the accompanying financial statements of 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, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 auditors' 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 entity'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 entity'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, 2020 and 2019, 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.

Emphasis of a Matter

Change in Accounting Principles

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, the Foundation implemented the Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* and early implemented ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Our auditors' opinion was not modified with respect to the implementation.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in an understatement of net assets without donor restriction and a corresponding overstatement of net assets with donor restriction reported in the statement of net position as of June 30, 2019 and the statement of activities for the fiscal year then ended, were discovered. Accordingly, beginning net assets have been restated in the June 30, 2019 financial statements now presented. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Glendora, California
November 4, 2020

**SADDLEBACK COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019 (as Restated)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 44,250	\$ 79,702
Accounts Receivable	69,326	39,214
Contributions Receivable - Current Portion	4,000	4,000
Investments, at Fair Value	107,920	219,942
Prepays	32,893	87,374
Total Current Assets	<u>258,389</u>	<u>430,232</u>
NONCURRENT ASSETS		
Contributions Receivable, Net of Discount	1,218,079	1,150,150
Investments, at Fair Value	8,387,261	8,321,821
Investments with FCCC	901,862	940,837
Total Noncurrent Assets	<u>10,507,202</u>	<u>10,412,808</u>
 Total Assets	 <u><u>\$ 10,765,591</u></u>	 <u><u>\$ 10,843,040</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 20,646	\$ 25,537
Accrued Liabilities	152,903	70,161
Total Current Liabilities	<u>173,549</u>	<u>95,698</u>
NET ASSETS		
Without Donor Restrictions	2,989,492	3,009,370
With Donor Restrictions	7,602,550	7,737,972
Total Net Assets	<u>10,592,042</u>	<u>10,747,342</u>
 Total Liabilities and Net Assets	 <u><u>\$ 10,765,591</u></u>	 <u><u>\$ 10,843,040</u></u>

See accompanying Notes to Financial Statements.

SADDLEBACK COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 330,781	\$ 978,385	\$ 1,309,166
Special Event Income - Fundraisers	193,295	-	193,295
Campus Programs	22,464	-	22,464
In-Kind Donations	41,633	-	41,633
Donated Services	473,660	-	473,660
Donated Professional Fees	11,115	-	11,115
Total Support	<u>1,072,948</u>	<u>978,385</u>	<u>2,051,333</u>
Other Income, Gains, and Losses:			
Investment Income	23,478	172,065	195,543
Realized Gain (Loss) on Investments	(79,220)	(75,960)	(155,180)
Unrealized Gain (Loss) on Investments	30,080	(129,770)	(99,690)
Change in Value of FCCC Investments	-	(38,975)	(38,975)
Other Income	160,634	725	161,359
Total Other Income, Gains, and Losses	<u>134,972</u>	<u>(71,915)</u>	<u>63,057</u>
Total Revenues before Net Assets Released from Restrictions	1,207,920	906,470	2,114,390
Net Assets Released from Restrictions	<u>1,041,892</u>	<u>(1,041,892)</u>	<u>-</u>
Total Support and Revenue	<u>2,249,812</u>	<u>(135,422)</u>	<u>2,114,390</u>
OPERATING EXPENSES			
Program Services	1,742,446	-	1,742,446
Supporting Services:			
Management and General	267,252	-	267,252
Fundraising	259,992	-	259,992
Total Operating Expenses	<u>2,269,690</u>	<u>-</u>	<u>2,269,690</u>
CHANGE IN NET ASSETS	(19,878)	(135,422)	(155,300)
Net Assets - Beginning of Year as Restated (Note 11)	<u>3,009,370</u>	<u>7,737,972</u>	<u>10,747,342</u>
NET ASSETS - END OF YEAR	<u>\$ 2,989,492</u>	<u>\$ 7,602,550</u>	<u>\$ 10,592,042</u>

See accompanying Notes to Financial Statements.

SADDLEBACK COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	2019 (as Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 304,296	\$ 429,212	\$ 733,508
Special Event Income - Fundraisers	92,361	-	92,361
Campus Programs	249,640	-	249,640
In-Kind Donations	28,133	-	28,133
Donated Services	307,469	-	307,469
Donated Professional Fees	10,860	-	10,860
Total Support	<u>992,759</u>	<u>429,212</u>	<u>1,421,971</u>
Other Income, Gains, and Losses:			
Investment Income	46,301	237,368	283,669
Realized Gain (Loss) on Investments	52,826	115,026	167,852
Unrealized Gain (Loss) on Investments	7,154	(152,886)	(145,732)
Change in Value of FCCC Investments	-	4,029	4,029
Other Income	166,644	65,808	232,452
Total Other Income, Gains, and Losses	<u>272,925</u>	<u>269,345</u>	<u>542,270</u>
Total Revenues before Net Assets			
Released from Restrictions	1,265,684	698,557	1,964,241
Net Assets Released from Restrictions	<u>667,684</u>	<u>(667,684)</u>	<u>-</u>
Total Support and Revenue	<u>1,933,368</u>	<u>30,873</u>	<u>1,964,241</u>
OPERATING EXPENSES			
Program Services	1,533,872	-	1,533,872
Supporting Services:			
Management and General	157,817	-	157,817
Fundraising	191,304	-	191,304
Total Operating Expenses	<u>1,882,993</u>	<u>-</u>	<u>1,882,993</u>
CHANGE IN NET ASSETS	50,375	30,873	81,248
Net Assets - Beginning of Year as Restated (Note 11)	<u>2,958,995</u>	<u>7,707,099</u>	<u>10,666,094</u>
NET ASSETS - END OF YEAR	<u>\$ 3,009,370</u>	<u>\$ 7,737,972</u>	<u>\$ 10,747,342</u>

See accompanying Notes to Financial Statements.

**SADDLEBACK COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and Special Events	\$ 1,434,532	\$ 760,192
Campus Programs	(7,648)	222,985
Investment Income	156,568	287,698
Other Income	161,359	232,452
Payments to/on Behalf of Employees	(356,848)	(601,064)
Payments to Suppliers	(748,249)	(769,143)
Payments to/on Behalf of Students	(505,853)	(327,891)
Net Cash Provided (Used) by Operating Activities	<u>133,861</u>	<u>(194,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,295,081)	(5,509,878)
Proceeds from Sale of Investments	3,125,768	5,475,315
Net Cash Used by Investing Activities	<u>(169,313)</u>	<u>(34,563)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,452)	(229,334)
Cash and Cash Equivalents - Beginning of Year	<u>79,702</u>	<u>309,036</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 44,250</u></u>	<u><u>\$ 79,702</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (155,300)	\$ 81,248
Adjustment to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized and Unrealized Loss (Gain) on Investments	254,870	(22,120)
Amortization of Discount - Present Value Contributions	(67,929)	98,239
Change in Assets - (Increase) Decrease:		
Accounts Receivable	(30,112)	(26,655)
Contributions Receivable	-	(163,915)
Prepays	54,481	(36,793)
Change in Liabilities - Increase (Decrease):		
Accounts Payable	(4,891)	3,934
Accrued Liabilities	<u>82,742</u>	<u>(128,709)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 133,861</u></u>	<u><u>\$ (194,771)</u></u>

See accompanying Notes to Financial Statements.

**SADDLEBACK COLLEGE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019**

	Program Services	Management and General	Fundraising	Total 2020
Salaries and Benefits	\$ 263,772	\$ 89,549	\$ 86,269	\$ 439,590
Scholarships	505,853	-	-	505,853
Donated Services	248,959	158,687	66,014	473,660
Donated Professional Fees	11,115	-	-	11,115
In-Kind Donations	41,633	-	-	41,633
Supplies and Printing	24,545	-	-	24,545
Conferences and Meetings	19,622	3,879	-	23,501
Dues and Memberships	6,609	-	-	6,609
Equipment	62,935	1,625	-	64,560
Contract Services	208,581	-	-	208,581
Special Events	-	-	107,709	107,709
Program Expenses	225,435	-	-	225,435
Other Expenses	123,387	13,512	-	136,899
Total	\$ 1,742,446	\$ 267,252	\$ 259,992	\$ 2,269,690

	Program Services	Management and General	Fundraising	Total 2019
Salaries and Benefits	\$ 331,232	\$ 60,849	\$ 80,273	\$ 472,354
Scholarships	327,891	-	-	327,891
Donated Services	178,464	84,962	44,043	307,469
Donated Professional Fees	10,860	-	-	10,860
In-Kind Donations	28,133	-	-	28,133
Supplies and Printing	20,547	-	-	20,547
Conferences and Meetings	12,536	1,930	-	14,466
Dues and Memberships	7,471	146	-	7,617
Equipment	80,031	-	-	80,031
Contract Services	138,168	8,064	-	146,232
Special Events	-	-	66,988	66,988
Program Expenses	256,071	-	-	256,071
Other Expenses	142,468	1,866	-	144,334
Total	\$ 1,533,872	\$ 157,817	\$ 191,304	\$ 1,882,993

See accompanying Notes to Financial Statements.

**SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 County Community College District (the District). The principal sources of revenue for the Foundation include donor contributions and investment related income.

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.

Classification of Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The board of governors may designate, from net assets without donor restrictions, net assets for board-directed activities.

Net Assets With Donor Restrictions

Net assets subject to donor imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. The Foundation occasionally maintains cash balances in excess of the insured amounts and has not incurred losses. For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

**SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets without donor restrictions 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.

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.

Public Support and Revenue

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

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Campus programs revenue recognized primarily consists of ticket sales for various campus departmental events or sales of goods and revenue is recognized at the time the event occurs or when the sale takes place. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, 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. The Foundation records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. For the fiscal years ended June 30, 2020 and 2019, the direct benefits to donors totaled \$98,384 and \$78,641, respectively.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional Allocation of Expenses

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

Use of Estimates

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

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 509(a)(3). 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.

United States Generally Accepted Accounting Principles (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, 2020 and 2019, 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.

Reclassifications

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

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The update clarified the guidance in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has also early adopted ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 CONTRIBUTION RECEIVABLE

Unconditional pledges consist of the following at June 30:

	2020	2019
Receivable - Less than One Year	\$ 4,000	\$ 4,000
Receivable - One to Five Years	20,000	20,000
Receivable - More than Five Years	1,629,481	1,595,302
Gross Unconditional Promises to Give	1,653,481	1,619,302
Less: Discount	(431,402)	(465,152)
Net Contributions Receivable	<u>\$ 1,222,079</u>	<u>\$ 1,154,150</u>

As of June 30, 2020 and 2019, contributions receivable was discounted at a rate of 6% for both years.

NOTE 3 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 date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 44,250	\$ 79,702
Accounts Receivable	73,326	43,214
Operating Investments	107,920	219,942
Total	<u>\$ 225,496</u>	<u>\$ 342,858</u>

The Foundation's endowment funds consist entirely of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of the liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019 (as Restated)
Subject to Expenditure for Specific Purpose:		
Scholarships and Campus Programs	\$ 3,323,855	\$ 3,186,292
Not Subject to Spending Policy or Appropriations:		
Investments Held with FCCC in Perpetuity (Including		
Amounts Above Original Transfer Amount of \$803,440):		
Osher Scholarships	901,862	940,837
Subject to Spending Policy and Appropriation:		
Investment in Perpetuity (Including Amounts Above		
Original Gift Amount of \$3,194,945 and \$3,049,987),		
the Income from which is Expendable to Support:		
Scholarships	3,376,833	3,610,843
Net Assets with Donor Restrictions	<u>\$ 7,602,550</u>	<u>\$ 7,737,972</u>

Net assets of \$1,041,892 and \$667,684 were released from donor restrictions by incurring expenses satisfying the restricted purpose of scholarships and campus for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 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.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 INVESTMENTS

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

	2020				
	Cost	Fair Value	Level 1	Level 2	Level 3
Investments:					
Stock	\$ 2,318,902	\$ 2,092,307	\$ 2,092,307	\$ -	\$ -
Equity and Fixed Income Funds	1,753,300	1,847,102	1,847,102	-	-
Mutual Funds	1,013,144	971,637	971,637	-	-
Money Market	107,920	107,920	107,920	-	-
Bonds	523,520	547,542	-	547,542	-
Corporate Fixed Income	1,058,559	1,135,923	-	1,135,923	-
Government Securities	576,347	614,256	-	614,256	-
Alternative Investments	1,165,818	1,178,494	-	710,087	468,407
Total	<u>\$ 8,517,510</u>	<u>\$ 8,495,181</u>	<u>\$ 5,018,966</u>	<u>\$ 3,007,808</u>	<u>\$ 468,407</u>

	2019				
	Cost	Fair Value	Level 1	Level 2	Level 3
Investments:					
Stock	\$ 1,928,715	\$ 1,913,690	\$ 1,913,690	\$ -	\$ -
Equity and Fixed Income Funds	2,267,397	2,318,735	2,318,735	-	-
Mutual Funds	747,400	676,873	676,873	-	-
Money Market	219,942	219,942	219,942	-	-
Bonds	436,455	447,984	-	447,984	-
Corporate Fixed Income	856,510	884,404	-	884,404	-
Government Securities	956,167	981,543	-	981,543	-
Alternative Investments	1,066,519	1,098,592	-	511,097	587,495
Total	<u>\$ 8,479,105</u>	<u>\$ 8,541,763</u>	<u>\$ 5,129,240</u>	<u>\$ 2,825,028</u>	<u>\$ 587,495</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 FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 INVESTMENTS (CONTINUED)

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

	2020	2019
Interest and Dividends	\$ 195,543	\$ 283,669
Realized (Loss) Gain on Investments, Net	(155,180)	167,852
Unrealized Loss on Investments, Net	(99,690)	(145,732)
Total Investment (Loss) Income	<u>\$ (59,327)</u>	<u>\$ 305,789</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) for the years ended June 30:

<u>Hedge Funds</u>	2020	2019
Balance at Beginning of Fiscal Year (July 1)	\$ 587,495	\$ 683,292
Total Gains (Losses) for the Period	14,689	(26,056)
Purchases and Sales:		
Purchases	-	-
Sales	-	(69,741)
Transfer to Level 1	(133,777)	-
Balance End of Fiscal Year (June 30)	<u>\$ 468,407</u>	<u>\$ 587,495</u>
Gains (Losses) for the Period Included in the		
Change in Net Assets without Restriction	\$ -	\$ -
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	14,689	(26,056)
Total Gains (Losses) for the Period	<u>\$ 14,689</u>	<u>\$ (26,056)</u>

NOTE 7 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.

SADDLEBACK COLLEGE FOUNDATION
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NOTE 7 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC) (CONTINUED)

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, 2020, the fair value of this investment was \$901,862 which consisted of cash of \$31,270, equity securities of \$590,475, and fixed income instruments of \$280,117 measured at quoted prices for similar assets and market-corroborated inputs (Level 2). Net investment income of \$7,825 was recognized during the year ended June 30, 2020. Fund distributions from investment returns for the year ended June 30, 2020 were \$46,800. These distributions were not recognized as a decrease in contributions for the year ended June 30, 2020.

At June 30, 2019, the fair value of this investment was \$940,837 which consisted of cash of \$19,656, equity securities of \$635,890, and fixed income instruments of \$285,291 measured at quoted prices for similar assets and market-corroborated inputs (Level 2). Net investment income of \$51,329 was recognized during the year ended June 30, 2019. Fund distributions from investment returns for the year ended June 30, 2019 were \$47,300. These distributions were not recognized as a decrease in contributions for the year ended June 30, 2019.

Changes in FCCC net assets are as follows for the fiscal years ended June 30:

	2020	2019
With Donor Restriction:		
Investments with FCCC - Beginning of Year	\$ 940,837	\$ 936,808
Investment Return:		
Investment Income, Net of Expenses	18,230	20,276
Net Appreciation (Realized and Unrealized)	(10,405)	31,053
Total Investment Return	<u>7,825</u>	<u>51,329</u>
Other Changes:		
Distributions	(46,800)	(47,300)
Total Other Changes	<u>(46,800)</u>	<u>(47,300)</u>
Change in Value, FCCC Investment	<u>(38,975)</u>	<u>4,029</u>
Investments with FCCC - End of Year	<u>\$ 901,862</u>	<u>\$ 940,837</u>

The CCCSE was set up to provide matching scholarships 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 \$1,200 for a school year. The Foundation received distribution and matching funds from the Osher Foundation totaling \$91,200 and \$90,200 in 2020 and 2019, respectively, to meet the required 5% minimum payout for scholarships.

SADDLEBACK COLLEGE FOUNDATION
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NOTE 8 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, 2020 and 2019 is \$31,903 and \$35,364, respectively. The receivable is measured at fair market value as this approximates the estimate of discounted future cash flows. The receivable balance was \$35,863 and \$37,584 as of June 30, 2020 and 2019, respectively.

NOTE 9 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 endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Amounts not retained in perpetuity are subject to the appropriation 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 endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of the Foundation and the 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 FINANCIAL STATEMENTS
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NOTE 9 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment net assets with donor restrictions are as follows for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
With Donor Restriction:		
Endowment Net Assets - Beginning of Year	\$ 4,551,680	\$ 4,544,629
Contributions	191,747	168,492
Investment Return:		
Investment Income, Net of Expenses	55,978	70,281
Net Appreciation (Realized and Unrealized)	<u>(133,226)</u>	<u>48,490</u>
Total Investment Return (Loss)	<u>(77,248)</u>	<u>118,771</u>
Other Changes:		
Distributions	(238,732)	(274,296)
Other Changes	<u>(148,752)</u>	<u>(5,916)</u>
Total Other Changes	<u>(387,484)</u>	<u>(280,212)</u>
Endowment Net Assets - End of Year	<u>\$ 4,278,695</u>	<u>\$ 4,551,680</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual 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 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 net assets as of June 30, 2020 and 2019, respectively.

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 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 FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 ENDOWMENTS (CONTINUED)

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 10 FUNCTIONAL EXPENSE

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, donated services, conferences and meetings, dues and memberships, equipment, contract services, and other expenses which are allocated on the basis of estimates of time and effort.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 ADJUSTMENT FOR RESTATEMENT

Management identified certain gift accounts that were donor-restricted that were not classified appropriately within the general ledger system. The net effect of this restatement was to the classification of beginning net assets for the current fiscal year and did not have an effect on the Foundations assets, liabilities or current year operating results. For the year ended June 30, 2019, the following financial statement line items for the fiscal year were affected by the changes:

	As Originally Reported	As Restated	Effect of Restatement
Net Assets Without Donor Restrictions	\$ 47,981	\$ 3,009,370	\$ 2,961,389
Net Assets With Donor Restrictions	10,699,361	7,737,972	(2,961,389) (1)
Contributions Without Donor Restrictions	53,963	304,296	250,333
Contributions With Donor Restrictions	679,545	429,212	(250,333) (2)
Campus Programs Without Donor Restrictions	117,646	249,640	131,994
Campus Programs With Donor Restrictions	131,994	-	(131,994) (2)
Net Assets Released from Restrictions	1,073,388	667,684	(405,704)
Change in Net Assets Without Donor Restrictions	(76,101)	50,375	126,476
Change in Net Assets With Donor Restrictions	157,349	30,873	(126,476)

(1) Gifts identified with restrictions that were actually without restriction cumulative.

(2) Gifts identified with restrictions that were actually without restriction for fiscal year ended June 30, 2019

NOTE 12 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 ended June 30, 2020 were valued at \$473,660 and \$11,115, respectively. The donated services and professional fees for the fiscal year ended June 30, 2019 were valued at \$307,469 and \$10,860, respectively. These amounts have been reflected in the financial statements as donated services and professional fees revenues and expenses.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 RISKS AND UNCERTAINTIES

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

In early 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its 2021 operations and financial results, including restrictions on the Foundation activities by the governor, additional costs to the Foundation's operations, and potential loss of revenue due to reduction in certain revenue streams. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 14 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 November 4, 2020 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.

