

SADDLEBACK COLLEGE FOUNDATION
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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**SADDLEBACK COLLEGE FOUNDATION
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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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

Board of Directors
Saddleback College Foundation

Opinion

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
December 13, 2021

SADDLEBACK COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 119,556	\$ 44,250
Accounts Receivable	3,363	69,326
Promises to Give	4,000	4,000
Investments, at Fair Value	623,509	107,920
Prepays	95,603	32,893
Total Current Assets	<u>846,031</u>	<u>258,389</u>
NONCURRENT ASSETS		
Promises to Give, Net of Discount	1,063,014	1,218,079
Investments, at Fair Value	9,838,164	8,387,261
Beneficial Interest in CCCS Endowment	1,094,100	901,862
Total Noncurrent Assets	<u>11,995,278</u>	<u>10,507,202</u>
Total Assets	<u><u>\$ 12,841,309</u></u>	<u><u>\$ 10,765,591</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 10,340	\$ 20,646
Accrued Liabilities	61,810	152,903
Total Current Liabilities	<u>72,150</u>	<u>173,549</u>
NET ASSETS		
Without Donor Restrictions	3,629,961	2,989,492
With Donor Restrictions	9,139,198	7,602,550
Total Net Assets	<u>12,769,159</u>	<u>10,592,042</u>
Total Liabilities and Net Assets	<u><u>\$ 12,841,309</u></u>	<u><u>\$ 10,765,591</u></u>

See accompanying Notes to Financial Statements.

**SADDLEBACK COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 272,527	\$ 502,502	\$ 775,029
Special Event Income - Fundraisers	186,304	-	186,304
Campus Programs	10,649	-	10,649
In-Kind Donations	7,100	-	7,100
Donated Services	602,467	-	602,467
Donated Professional Fees	8,620	-	8,620
Total Support	<u>1,087,667</u>	<u>502,502</u>	<u>1,590,169</u>
Other Income, Gains, and Losses:			
Investment Income	42,861	106,496	149,357
Realized Gain (Loss) on Investments	113,135	201,127	314,262
Unrealized Gain (Loss) on Investments	359,388	1,198,686	1,558,074
Change in Value of CCCS Endowment	-	192,238	192,238
Other Income	141,175	-	141,175
Total Other Income, Gains, and Losses	<u>656,559</u>	<u>1,698,547</u>	<u>2,355,106</u>
Total Revenues before Net Assets			
Released from Restrictions	1,744,226	2,201,049	3,945,275
Net Assets Released from Restrictions	<u>664,401</u>	<u>(664,401)</u>	<u>-</u>
Total Support and Revenue	<u>2,408,627</u>	<u>1,536,648</u>	<u>3,945,275</u>
OPERATING EXPENSES			
Program Services	1,256,658	-	1,256,658
Supporting Services:			
Management and General	254,220	-	254,220
Fundraising	257,280	-	257,280
Total Operating Expenses	<u>1,768,158</u>	<u>-</u>	<u>1,768,158</u>
CHANGE IN NET ASSETS	640,469	1,536,648	2,177,117
Net Assets - Beginning of Year	<u>2,989,492</u>	<u>7,602,550</u>	<u>10,592,042</u>
NET ASSETS - END OF YEAR	<u>\$ 3,629,961</u>	<u>\$ 9,139,198</u>	<u>\$ 12,769,159</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 CCCS Endowment	-	(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	<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
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			
	Program Services	Management and General	Fundraising	Total
Salaries and Benefits	\$ 216,354	\$ 89,489	\$ 45,048	\$ 350,891
Scholarships	433,242	-	-	433,242
Donated Services	341,796	162,190	98,481	602,467
Donated Professional Fees	8,620	-	-	8,620
In-Kind Donations	7,100	-	-	7,100
Supplies and Printing	1,839	-	-	1,839
Conferences and Meetings	1,183	-	-	1,183
Dues and Memberships	5,905	726	-	6,631
Equipment	16,847	-	-	16,847
Contract Services	41,099	-	-	41,099
Special Events	-	-	113,751	113,751
Program Expenses	58,318	1,011	-	59,329
Other Expenses	124,355	804	-	125,159
Total	<u>\$ 1,256,658</u>	<u>\$ 254,220</u>	<u>\$ 257,280</u>	<u>\$ 1,768,158</u>

	2020			
	Program Services	Management and General	Fundraising	Total
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	<u>\$ 1,742,446</u>	<u>\$ 267,252</u>	<u>\$ 259,992</u>	<u>\$ 2,269,690</u>

See accompanying Notes to Financial Statements.

**SADDLEBACK COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and Special Events	\$ 1,116,398	\$ 1,434,532
Campus Programs	76,612	(7,648)
Investment Income	341,595	156,568
Other Income	141,175	161,359
Payments to/on Behalf of Employees	(441,984)	(356,848)
Payments to Suppliers	(438,854)	(748,249)
Payments to/on Behalf of Students	(433,242)	(505,853)
Net Cash Provided by Operating Activities	<u>361,700</u>	<u>133,861</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(4,596,525)	(3,295,081)
Proceeds from Sale of Investments	4,310,131	3,125,768
Net Cash Used by Investing Activities	<u>(286,394)</u>	<u>(169,313)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,306	(35,452)
Cash and Cash Equivalents - Beginning of Year	<u>44,250</u>	<u>79,702</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 119,556</u></u>	<u><u>\$ 44,250</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,177,117	\$ (155,300)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Loss (Gain) on Investments	(1,872,336)	254,870
Amortization of Discount - Present Value Promises to Give	155,065	(67,929)
Change in Assets - (Increase) Decrease:		
Accounts Receivable	65,963	(30,112)
Prepays	(62,710)	54,481
Change in Liabilities - Increase (Decrease):		
Accounts Payable	(10,306)	(4,891)
Accrued Liabilities	(91,093)	82,742
Net Cash Provided by Operating Activities	<u><u>\$ 361,700</u></u>	<u><u>\$ 133,861</u></u>

See accompanying Notes to Financial Statements.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

Cash and Cash Equivalents

Cash consists 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.

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.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The Foundation determines the allowance for doubtful contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

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. The Foundation currently does not have any conditional promises to give.

**SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Charitable Trusts Held by Others

The Foundation has been named as an irrevocable beneficiary of multiple charitable trusts held by and administered by independent trustees. These trusts were created independently by the donor and administered by outside agents designated by the donor. Therefore, the Foundation does not have possession nor control over the assets of the trust. At the date the Foundation received notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in charitable trust held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Therefore, the beneficial interest in trust is reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

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

Net Assets With Donor Restrictions

Net assets are 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.

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 restrictions between the applicable classes of net assets.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as revenue in the period when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. They are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2021 and 2020, the direct benefits to donors totaled \$31,250 and \$98,384, respectively.

Program Service

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.

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 program services; management and general; 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.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020, 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.

NOTE 2 PROMISES TO GIVE

Unconditional pledges consist of the following at June 30:

	2021	2020
Receivable - Less than One Year	\$ 4,000	\$ 4,000
Receivable - One to Five Years	20,000	20,000
Receivable - More than Five Years	1,328,723	1,629,481
Gross Unconditional Promises to Give	1,352,723	1,653,481
Less: Discount	(285,709)	(431,402)
Net Unconditional Promises to Give	<u>\$ 1,067,014</u>	<u>\$ 1,222,079</u>

As of June 30, 2021 and 2020, promises to give were discounted at a rate of 6% for both years.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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:

	2021	2020
Cash	\$ 119,556	\$ 44,250
Accounts Receivable	7,363	73,326
Operating Investments	623,509	107,920
Total	<u>\$ 750,428</u>	<u>\$ 225,496</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, stocks, equity and fixed income funds, mutual funds, municipal bonds, corporate fixed income, and US Treasury Notes.

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure for Specific Purpose:		
Scholarships and Campus Programs	\$ 3,827,014	\$ 3,323,855
Not Subject to Spending Policy or Appropriations:		
Investments Held with FCCC in Perpetuity (Including		
Amounts Above Original Transfer Amount of \$803,440):		
Beneficial Interest in CCCS Endowment	1,094,100	901,862
Subject to Spending Policy and Appropriation:		
Investment in Perpetuity (Including Amounts Above		
Original Gift Amount of \$3,436,206 and \$3,194,945),		
the Income from which is Expendable to Support:		
Scholarships	4,218,084	3,376,833
Net Assets with Donor Restrictions	<u>\$ 9,139,198</u>	<u>\$ 7,602,550</u>

Net assets of \$664,401 and \$1,041,892 were released from donor restrictions by incurring expenses satisfying the restricted purpose of scholarships and campus programs for the years ended June 30, 2021 and 2020, respectively.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

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:

			2021		
	Cost	Fair Value	Level 1	Level 2	Level 3
Investments:					
Stock	\$ 2,175,439	\$ 2,815,235	\$ 2,815,235	\$ -	\$ -
Equity and Fixed Income Funds	2,090,301	2,607,809	2,607,809	-	-
Mutual Funds	1,629,645	1,804,924	1,804,924	-	-
Municipal Bonds	509,044	530,380	-	530,380	-
Corporate Fixed Income	1,043,672	1,084,310	-	1,084,310	-
US Treasury Notes	581,219	590,642	590,642	-	-
Subtotal	<u>\$ 8,029,320</u>	<u>9,433,300</u>	<u>\$ 7,818,610</u>	<u>\$ 1,614,690</u>	<u>\$ -</u>
Money Market		623,509		-	-
Alternative Investments		<u>404,864</u>			
Total Investments		10,461,673			
Beneficial Interest in CCCS Endowment		1,094,100	\$ -	\$ 1,094,100	\$ -
		<u>\$ 11,555,773</u>	<u>\$ -</u>	<u>\$ 1,094,100</u>	<u>\$ -</u>
			2020		
	Cost	Fair Value	Level 1	Level 2	Level 3
Investments:					
Stock	\$ 2,335,864	\$ 2,092,307	\$ 2,092,307	\$ -	\$ -
Equity and Fixed Income Funds	1,753,300	1,847,102	1,847,102	-	-
Mutual Funds	1,713,019	1,681,724	1,681,724	-	-
Municipal Bonds	523,520	547,542	-	547,542	-
Corporate Fixed Income	1,058,559	1,135,923	-	1,135,923	-
US Treasury Notes	576,347	614,256	614,256	-	-
Subtotal	<u>\$ 7,960,609</u>	<u>7,918,854</u>	<u>\$ 6,235,389</u>	<u>\$ 1,683,465</u>	<u>\$ -</u>
Money Market		107,920			
Alternative Investments		<u>468,407</u>			
Total Investments		8,495,181			
Beneficial Interest in CCCS Endowment		901,862	\$ -	\$ 901,862	\$ -
		<u>\$ 9,397,043</u>	<u>\$ -</u>	<u>\$ 901,862</u>	<u>\$ -</u>

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 INVESTMENTS (CONTINUED)

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.

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 not included in the fair value hierarchy. Investments reported at net asset value are as follows:

	2021	2020
Ironwood Institutional Multi-Strategy Fund LLC		
Balance at Beginning of Fiscal Year (July 1)	\$ 468,407	\$ 587,495
Total Gains (Losses) for the Period	(63,543)	14,689
Purchases and Sales:		
Purchases	-	-
Sales	-	-
Transfer to Level 1	-	(133,777)
Balance End of Fiscal Year (June 30)	<u>\$ 404,864</u>	<u>\$ 468,407</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	(63,543)	14,689
Total Gains (Losses) for the Period	<u>\$ (63,543)</u>	<u>\$ 14,689</u>

As of June 30, 2021 and 2020, Ironwood Institutional Multi-Strategy Fund LLC (the Fund) does not have any remaining capital call commitments. Units are not redeemable. The fund's board, in its sole and absolute discretion, may authorize the fund to make a tender offer to repurchase units at the net asset value per unit on June 30 and December 31 of each year with 95 calendar days notice. Units held less than one year are subject to a fee of 5% of the value of the units repurchased.

The Fund's objective is capital appreciation with limited variability of returns. The Fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles. Each is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value; market neutral and low net equity; event-driven; and distressed and credit securities.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 INVESTMENTS (CONTINUED)

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

	2021	2020
Interest and Dividends	\$ 149,357	\$ 195,543
Realized Gain (Loss) on Investments, Net	314,262	(155,180)
Unrealized Gain (Loss) on Investments, Net	1,558,074	(99,690)
Total Investment Income (Loss)	<u>\$ 2,021,693</u>	<u>\$ (59,327)</u>

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

In May 2008, the California Community Colleges Scholarship Endowment (the CCCS Endowment) was launched via a gift of \$25 million from the Bernard Osher Foundation (the Osher Foundation) to the Foundation for California Community Colleges (the FCCC). The FCCC and California's community colleges were challenged with raising an additional \$50 million through June 2011, for which the Osher Foundation agreed to provide a 50% match of up to \$25 million. The purpose of the CCCS Endowment is to provide scholarships for students in California's community college system.

Based on the terms of the agreement between the Osher Foundation and the FCCC, as well as the agreement between the FCCC and the Foundation, all of the funds contributed to the CCCS Endowment, regardless of source, are irrevocable gifts to the FCCC. The Foundation has an irrevocable beneficial interest in the balance of funds contributed for the benefit of students of Saddleback College and the accumulated earnings, which does not include funds contributed by the Osher Foundation.

As of June 30, 2021 and 2020, the Foundation's beneficial interest in the CCCS Endowment totaled \$1,094,100 and \$901,862, respectively. In relation to the CCCS endowment, this interpretation extends to the earnings of the fund, less distributions for scholarships in conformance with the aforementioned agreements as determined by the FCCC. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions in perpetuity (a) the value of endowed gifts as of the date of the donation, and (b) net earnings less allowable distributions. Scholarship distributions made from the fund are classified as net assets with donor restrictions subject to the passage of time or appropriation upon receipt of notification from the FCCC as the amount and date of scheduled distributions.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Changes in the Foundation's beneficial interest in the CCCS Endowment balance by net asset classification were as follows:

	2021	2020
With Donor Restriction:		
Investments with FCCC - Beginning of Year	\$ 901,862	\$ 940,837
Investment Return:		
Investment Income, Net of Expenses	15,818	18,230
Net Appreciation (Realized and Unrealized)	222,820	(10,405)
Total Investment Return	238,638	7,825
Other Changes:		
Distributions	(46,400)	(46,800)
Total Other Changes	(46,400)	(46,800)
Change in Value, FCCC Investment	192,238	(38,975)
Investments with FCCC - End of Year	\$ 1,094,100	\$ 901,862

The CCCS Endowment 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 \$92,800 and \$93,600 in 2021 and 2020, respectively, to meet the required 5% minimum payout for scholarships.

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, 2021 and 2020 is \$16,329 and \$31,903, respectively. The receivable is measured at fair market value as this approximates the estimate of discounted future cash flows. The receivable balance was \$38,662 and \$35,863 as of June 30, 2021 and 2020, respectively and are included in the promises to give in the statement of financial position.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 Directors 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 Directors 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 (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 to net assets. 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.

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

	2021	2020
With Donor Restriction:		
Endowment Net Assets - Beginning of Year	\$ 4,278,695	\$ 4,551,680
Contributions	241,261	191,747
Investment Return:		
Investment Income, Net of Expenses	86,229	55,978
Net Appreciation (Realized and Unrealized)	945,806	(133,226)
Total Investment Return (Loss)	<u>1,032,035</u>	<u>(77,248)</u>
Other Changes:		
Distributions	(172,200)	(238,732)
Other Changes	(67,607)	(148,752)
Total Other Changes	<u>(239,807)</u>	<u>(387,484)</u>
Endowment Net Assets - End of Year	<u>\$ 5,312,184</u>	<u>\$ 4,278,695</u>

**SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 ENDOWMENTS (CONTINUED)

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 Directors. In accordance with US GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2021 and 2020, 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 Directors, 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 obligations 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.

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 principal 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.

SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, program expenses, and other expenses which are allocated on the basis of estimates of time and effort.

NOTE 11 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, 2021 were valued at \$602,467 and \$8,620, respectively. The donated services and professional fees for the fiscal year ended June 30, 2020 were valued at \$473,660 and \$11,115, respectively. These amounts have been reflected in the financial statements as donated services and professional fees revenues and expenses. As of June 30, 2021 and 2020, the Foundation has a liability to the District in the amount of \$61,810 and \$152,903, respectively.

NOTE 12 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 2021-2022 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.

**SADDLEBACK COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 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 December 13, 2021 which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

