



Financial Statements  
June 30, 2023 and 2022

# Santa Ana College Foundation

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## Independent Auditor's Report

To the Board of Directors  
Santa Ana College Foundation  
Santa Ana, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Santa Ana College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Santa Ana College Foundation as of June 30, 2023 and 2022, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Correction of Error*

As discussed in Note 12 to the financial statements, errors resulting in the improper timing of revenue recognition were discovered during the current year. Accordingly, amounts reported for unconditional promises to give, net of unamortized discount and contribution revenues have been restated in the 2022 financial statements now presented, and an adjustment has been made to net assets – with donor restrictions as of July 1, 2021, to correct the error. Our opinion is not modified with respect to that matter.

### ***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

*Eide Bailly LLP*

Rancho Cucamonga, California  
December 1, 2023

Santa Ana College Foundation  
 Statements of Financial Position  
 June 30, 2023 and 2022

	2023	2022 (restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,837,625	\$ 2,107,352
Investments	106,697	105,944
Unconditional promises to give, net	64,350	68,263
Prepaid expenses	-	143
Total current assets	2,008,672	2,281,702
Noncurrent assets		
Investments	11,631,888	11,076,981
Unconditional promises to give, net	86,437	150,787
Property and equipment, net	50	611
Total noncurrent assets	11,718,375	11,228,379
Total assets	\$ 13,727,047	\$ 13,510,081
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 162,029	\$ 131,294
Net assets		
Without donor restrictions	1,628,128	1,674,531
With donor restrictions	11,936,890	11,704,256
Total net assets	13,565,018	13,378,787
Total liabilities and net assets	\$ 13,727,047	\$ 13,510,081

Santa Ana College Foundation  
Statements of Activities  
Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues</b>			
Contributions	\$ 26,214	\$ 774,609	\$ 800,823
President's Circle	127,470	-	127,470
Donated salaries and benefits	532,069	-	532,069
Donated facility use	39,886	-	39,886
In-kind donations	-	8,135	8,135
Indirect cost revenues	31,947	-	31,947
Special events	-	118,322	118,322
Stewardship and administrative fees	138,352	(138,352)	-
Assets released from restrictions	1,230,024	(1,230,024)	-
<b>Total revenues</b>	<b>2,125,962</b>	<b>(467,310)</b>	<b>1,658,652</b>
<b>Expenses</b>			
Program	1,460,729	-	1,460,729
Management and general	349,514	-	349,514
Fundraising	428,074	-	428,074
<b>Total expenses</b>	<b>2,238,317</b>	<b>-</b>	<b>2,238,317</b>
<b>Other Income (loss)</b>			
Realized gain (loss) on sale of investments	3,927	(49,435)	(45,508)
Unrealized gain on investments	37,375	484,946	522,321
Interest and dividends, net of expenses	24,650	264,433	289,083
<b>Total other income</b>	<b>65,952</b>	<b>699,944</b>	<b>765,896</b>
<b>Change in Net Assets</b>	<b>(46,403)</b>	<b>232,634</b>	<b>186,231</b>
<b>Net Assets, Beginning of Year</b>	<b>1,674,531</b>	<b>11,704,256</b>	<b>13,378,787</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,628,128</b>	<b>\$ 11,936,890</b>	<b>\$ 13,565,018</b>

Santa Ana College Foundation  
Statements of Activities  
Years Ended June 30, 2023 and 2022

	2022 (restated)		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Revenues</b>			
Contributions	\$ 17,930	\$ 2,052,022	\$ 2,069,952
President's Circle	102,273	-	102,273
Donated salaries and benefits	589,768	-	589,768
Donated facility use	33,521	-	33,521
In-kind donations	-	3,400	3,400
Indirect cost revenues	50,414	-	50,414
Special events	-	104,135	104,135
Stewardship and administrative fees	190,412	(190,412)	-
Assets released from restrictions	860,059	(860,059)	-
Total revenues	<u>1,844,377</u>	<u>1,109,086</u>	<u>2,953,463</u>
<b>Expenses</b>			
Program	1,120,264	-	1,120,264
Management and general	332,152	-	332,152
Fundraising	468,856	-	468,856
Total expenses	<u>1,921,272</u>	<u>-</u>	<u>1,921,272</u>
<b>Other Income (loss)</b>			
Realized gain on sale of investments	50,894	407,346	458,240
Unrealized loss on investments	(205,150)	(2,019,681)	(2,224,831)
Interest and dividends, net of expenses	38,678	359,067	397,745
Total other income (loss)	<u>(115,578)</u>	<u>(1,253,268)</u>	<u>(1,368,846)</u>
Change in Net Assets	(192,473)	(144,182)	(336,655)
Net Assets, Beginning of Year, as Restated	<u>1,867,004</u>	<u>11,848,438</u>	<u>13,715,442</u>
Net Assets, End of Year	<u>\$ 1,674,531</u>	<u>\$ 11,704,256</u>	<u>\$ 13,378,787</u>



Santa Ana College Foundation  
Statements of Functional Expenses  
Years Ended June 30, 2023 and 2022

	2023			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 85,904	\$ 241,048	\$ 205,117	\$ 532,069
Donated facility use	6,980	19,943	12,963	39,886
Salaries and benefits	113,895	74,150	20,115	208,160
In-kind donations	8,135	-	-	8,135
Scholarships and grants	657,634	-	-	657,634
Stipends to students	310,638	-	-	310,638
Office expenses	35,221	5,355	65,285	105,861
Printing	1,197	-	8,935	10,132
Telephone	-	795	-	795
Information technology	19,562	-	-	19,562
Conferences and travel	3,124	3	3,969	7,096
Equipment lease and maintenance	8,540	566	-	9,106
Professional fees	-	1,848	-	1,848
Membership dues and subscriptions	25	-	2,310	2,335
Advertising and promotion	-	-	6,731	6,731
Depreciation	-	561	-	561
College support	146,198	-	-	146,198
Contract services	36,465	-	72,491	108,956
Other expenses	27,211	5,245	30,158	62,614
	<u>\$ 1,460,729</u>	<u>\$ 349,514</u>	<u>\$ 428,074</u>	<u>\$ 2,238,317</u>
	2022			
	Program	Management and General	Fundraising	Total
Donated salaries and benefits	\$ 114,696	\$ 241,474	\$ 233,598	\$ 589,768
Donated facility use	5,866	16,761	10,894	33,521
Salaries and benefits	103,427	63,106	466	166,999
In-kind donations	3,400	-	-	3,400
Scholarships and grants	535,951	-	-	535,951
Stipends to students	192,800	-	-	192,800
Office expenses	42,229	4,239	82,870	129,338
Printing	-	30	18,804	18,834
Telephone	-	1,245	-	1,245
Information technology	8,991	-	4,496	13,487
Conferences and travel	1,919	-	5,688	7,607
Equipment lease and maintenance	7,387	-	2,012	9,399
Membership dues and subscriptions	500	435	3,330	4,265
Advertising and promotion	-	-	593	593
Depreciation	-	1,122	-	1,122
College support	14,053	-	-	14,053
Contract services	65,311	-	67,061	132,372
Other expenses	23,734	3,740	39,044	66,518
	<u>\$ 1,120,264</u>	<u>\$ 332,152</u>	<u>\$ 468,856</u>	<u>\$ 1,921,272</u>

Santa Ana College Foundation  
 Statements of Cash Flows  
 Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> (restated)
Operating Activities		
Change in net assets	\$ 186,231	\$ (336,655)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized (gain) loss on investments	(522,321)	2,224,831
Realized (gain) loss on investments	45,508	(458,240)
Depreciation	561	1,122
Contributions restricted for long-term purposes	(364,038)	(589,100)
Changes in assets and liabilities		
Unconditional promises to give, net	68,263	(20,000)
Prepaid expenses	143	196
Accounts payable	30,735	100,755
Net Cash Flows from Operating Activities	<u>(554,918)</u>	<u>922,909</u>
Investing Activities		
Proceeds from sales of investments	3,784,179	3,674,567
Purchase of investments	<u>(3,863,026)</u>	<u>(4,369,272)</u>
Net Cash Flows from Investing Activities	<u>(78,847)</u>	<u>(694,705)</u>
Cash Flows from Financing Activities		
Collections of contributions restricted for long-term purposes	<u>364,038</u>	<u>589,100</u>
Net Change in Cash and Cash Equivalents	(269,727)	817,304
Cash and Cash Equivalents, Beginning of Year	<u>2,107,352</u>	<u>1,290,048</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,837,625</u>	<u>\$ 2,107,352</u>

## **Note 1 - Nature of Organization and Summary of Significant Accounting Policies**

### **Organization and Nature of Activities**

Santa Ana College Foundation (the Foundation) is a nonprofit organization founded in 1968 for the purpose of receiving contributions for the support and advancement of education on behalf of Santa Ana College (the College). The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College.

### **Financial Statement Presentation**

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the College are financial interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. The Foundation reflects contributions received for the benefit of the College as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

### **Net Asset Accounting**

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

*Net Assets without Donor Restrictions* – Net assets available for general operations and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use towards scholarships, as well as all property, plant, and equipment of the Foundation.

*Net Assets with Donor Restrictions* – Net assets subject to donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, 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.

### **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.

### **Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. In the years ended June 30, 2023 and 2022, the Foundation did not receive any conditional promises to give.

Contributions are measured at their fair value at the date of contribution and are reported as an increase in net assets. The Foundation reports gifts of cash or other assets in the category designated by the donor. The Foundation reports gifts of goods and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulation about where the contributions are to be spent, the Foundation reports these contributions as net assets without donor restrictions.

### **Comparative Financial Information**

Comparative financial information for the prior year has been presented for additional analysis. Certain reclassifications may have been made to conform with the current year presentation.

### **Donated Assets, Services, and In-Kind Contributions**

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In addition, a number of volunteers have donated time to the Foundation's fundraising campaigns, which have not been reflected in the accompanying financial statements because the recognition criteria were not met. Donated salaries, benefits and facilities received from the District per the terms of the Master Agreement, are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same service. The value of those contributed items is recognized as both revenue and expense to the Foundation.

### **Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the Foundation 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, and those differences could be material.

**Income Taxes**

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

**Advertising Costs**

Costs associated with advertising are expensed as incurred. At June 30, 2023 and 2022, total advertising costs were \$6,731 and \$593, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days. The Foundation maintains cash balances in financial institutions which are insured up to \$250,000. At June 30, 2023 and 2022, the Foundation had cash balances of \$1,122,043 and \$1,195,357, respectively, held in financial institutions in excess of Federal depository insurance coverage. Management believes credit risk is limited.

**Pledge Receivables (Unconditional Promises to Give)**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions. 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 discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. At June 30, 2023 and 2022, unconditional promises to give have been recorded in the financial statements in the amount of \$150,787 and \$219,050, net of unamortized discount, respectively.

The Foundation does not use an allowance for uncollectible unconditional promises receivable. At June 30, 2023 and 2022, management deems all unconditional promises receivable to be collectible.

**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 (interest and dividends) is included in the change in net assets from operations unless the gain or loss is restricted by donor or law.

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. At June 30, 2023 and 2022, the Foundation had investment balances in the amount of \$10,946,140 and \$10,391,975, respectively, held in the financial institution in excess of the SIPC coverage. Management believes credit risk is limited.

**Property and Equipment**

The Foundation’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. The assets are stated at cost, or if donated, at estimated fair value on the date of donation. Depreciation for equipment and leasehold improvements is computed on a straight-line basis over an estimated useful life of three to five years.

**Allocation of Functional Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, there are no shared costs among the programs, management and general, and fundraising activities that require allocation.

**Note 2 - 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 comprise of the following at June 30:

	2023	2022
Cash and cash equivalents	\$ 1,837,625	\$ 2,107,352

**Liquidity Management**

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances.

Additionally, on behalf of the Foundation, the District has implemented cash management procedures, that include the monthly reconciliation of banked cash deposits and disbursements to related receipts and disbursement records.

**Note 3 - Unconditional Promises to Give**

The Foundation's unconditional promises to give consisted of the following at June 30, 2023:

Unconditional promises to give before unamortized discount	\$ 186,000
Less discount to net present value	(35,213)
Net Unconditional Promises to Give	\$ 150,787

The Foundation's unconditional promises to give consisted of the following at June 30, 2022:

Unconditional promises to give before unamortized discount	\$ 266,000
Less discount to net present value	(46,950)
Net Unconditional Promises to Give	\$ 219,050

Unconditional promises to give can be classified as without, or with donor restriction. Management has determined that all amounts are deemed collectible at June 30, 2023 and 2022.

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2023:

	SFFCU Faculty & Staff Innovation	Cordoba Scholars	Lisa & Bruce Gelker Love for SAC Scholarship
Amounts due in			
Due within one year	\$ 60,000	\$ 20,000	\$ -
Due within one to five years	60,000	40,000	6,000
	120,000	60,000	6,000
Less discount to net present value	(23,475)	(11,738)	-
Total	\$ 96,525	\$ 48,262	\$ 6,000

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2022:

	SFFCU Faculty & Staff Innovation	Cordoba Scholars	Lisa & Bruce Gelker Love for SAC Scholarship
Amounts due in			
Due within one year	\$ 60,000	\$ 20,000	\$ -
Due within one to five years	120,000	60,000	6,000
	180,000	80,000	6,000
Less discount to net present value	(35,212)	(11,738)	-
Total	<u>\$ 144,788</u>	<u>\$ 68,262</u>	<u>\$ 6,000</u>

The discount rate used was 4.45% for the years ended June 30, 2023 and 2022.

#### Note 4 - Investments

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2023:

	Adjusted Cost	Fair Market Value	Unrealized Gain
Certificates of deposit	\$ 292,445	\$ 292,445	\$ -
Bonds	3,364,162	3,525,556	161,394
Equity securities	3,961,501	4,150,525	189,024
Exchange traded funds	3,598,156	3,770,059	171,903
	<u>\$ 11,216,264</u>	<u>\$ 11,738,585</u>	<u>\$ 522,321</u>

Investments are presented at fair value in the financial statements and are composed of the following at June 30, 2022:

	Adjusted Cost	Fair Market Value	Unrealized Loss
Certificates of deposit	\$ 290,950	\$ 290,950	\$ -
Bonds	3,927,413	3,262,346	(665,067)
Equity securities	6,043,264	5,017,410	(1,025,854)
Exchange traded funds	3,146,129	2,612,219	(533,910)
	<u>\$ 13,407,756</u>	<u>\$ 11,182,925</u>	<u>\$ (2,224,831)</u>



The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2023 and 2022:

	2023	2022
Realized gain (loss) on investments	\$ (45,508)	\$ 458,240
Unrealized gain (loss) on investments	522,321	(2,224,831)
Interest and dividends	344,192	455,211
Total investment income (loss)	821,005	(1,311,380)
Investment expenses	(55,109)	(57,466)
Total investment income (loss), net of expenses	\$ 765,896	\$ (1,368,846)

**Note 5 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

**Assets and Liabilities Recorded at Fair Value on a Recurring Basis**

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2023. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023.

	Level 1
Assets	
Certificates of deposit	\$ 292,445
Bonds	3,525,556
Equity securities	4,150,525
Exchange traded funds	3,770,059
Total	\$ 11,738,585

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2022. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2022.

	Level 1
Assets	
Certificates of deposit	\$ 290,950
Bonds	3,262,346
Equity securities	5,017,410
Exchange traded funds	2,612,219
Total	\$ 11,182,925

**Note 6 - Property and Equipment**

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Depreciable Assets		
Leasehold improvements	\$ 32,764	\$ 32,764
Furniture and equipment	11,074	11,074
Total depreciable assets	43,838	43,838
Accumulated depreciation	(43,788)	(43,227)
Total depreciable assets, net	\$ 50	\$ 611

Depreciation expense for the years ended June 30, 2023 and 2022, was \$561 and \$1,122, respectively.

**Note 7 - Restrictions of Net Asset Balances**

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2023:

Scholarships	\$ 1,237,128
Student assistance	2,079,723
Title V grant	<u>903,962</u>
Total donor-restricted net assets	<u><u>\$ 4,220,813</u></u>

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2022:

Scholarships	\$ 1,440,539
Student assistance	2,630,288
Title V grant	<u>849,594</u>
Total donor-restricted net assets, as restated	<u><u>\$ 4,920,421</u></u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2023:

Endowed scholarships	\$ 4,598,918
Santa Ana Partnership - Award for Innovation	<u>3,117,159</u>
Total donor-restricted net assets	<u><u>\$ 7,716,077</u></u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2022:

Endowed scholarships	\$ 3,992,028
Santa Ana Partnership - Award for Innovation	<u>2,791,807</u>
Total donor-restricted net assets	<u><u>\$ 6,783,835</u></u>

**Note 8 - Net Assets Release from Restrictions**

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as listed below at June 30, 2023:

Scholarships and grants	\$ 657,634
Other program services	237,787
College support and other expenses paid for students	326,468
Gifts in Kind	<u>8,135</u>
Total	<u><u>\$ 1,230,024</u></u>

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as listed below at June 30, 2022:

Scholarships and grants	\$	535,951
Other program services		163,156
College support and other expenses paid for students		157,552
Gifts in Kind		<u>3,400</u>
 Total	 \$	 <u><u>860,059</u></u>

**Note 9 - Title V Endowment Grant**

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2003. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received \$300,000 over a five-year period ending June 30, 2010, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50% of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

**Note 10 - Donor Designated Endowments**

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The mission of the Foundation and the purpose of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and/or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policy of the Foundation

### Risk Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prudently invest in financial instruments which provide a reasonable measure of principal stability. 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 targets a diversified asset allocation within prudent risk constraints.

### Spending Policy

The Foundation's spending policy requires a target total return of 7.75%. The target distribution rate of 4.00% will be calculated over a trailing twelve quarter period for endowment funds with a historical gift balance of 80% or greater.

### Funds with Deficiencies

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of \$500,000, fair values of \$468,162, and deficiencies of \$31,838 were reported in net assets with donor restrictions. At June 30, 2022, the Foundation reported no funds with deficiencies.

Changes in endowment net assets as of June 30, 2023, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 6,783,835
Contributions	364,038
Donor initiated repurpose of gift	393,410
Investment income	549,894
Administrative fees	(101,746)
Distributions	(207,105)
Amounts appropriated for expenditures	(66,249)
Endowment net assets, end of year	\$ 7,716,077

Changes in endowment net assets as of June 30, 2022, are as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	\$ 7,413,955
Contributions	589,100
Investment loss	(855,496)
Administrative fees	(101,124)
Distributions	(203,458)
Amounts appropriated for expenditures	(59,142)
Endowment net assets, end of year	\$ 6,783,835

### Note 11 - Related Party Transactions

Santa Ana College donates administrative services to the Foundation. A portion of the salaries and benefits for the Executive Director, administrative staff, and other services are paid by the District. Accordingly, the Foundation received \$532,069 and \$589,768 from the District for salaries and benefits for the years ended June 30, 2023 and 2022, respectively, which has been reflected in the financial statements as donated salaries. In addition, the District provides office space for employees who perform services for the Foundation at no charge. The donated facilities for the fiscal years 2023 and 2022 amounted to \$39,886 and \$33,521, respectively, which has been reflected in the financial statements as donated facilities. The value of these contributed items is recognized as both revenue and expense to the Foundation.

### Note 12 - Restatement

When reviewing the supporting documents for revenues, there were unconditional promises to give that were recorded as contribution revenues when cash was received resulting in the improper timing of revenue recognition. Accordingly, amounts reported for unconditional promises to give, net, net assets, and contribution revenues have been restated in the 2022 financial statements now presented to correct the error. Adjustments to the statement of financial position, statement of activities, and statement of cash flows, respectively, as of and for the year ended June 30, 2022, are as follows:

Statement of Financial Position	As Previously Reported	Adjustment	As Adjusted
As of June 30, 2022			
Unconditional promises to give, net	\$ -	\$ 68,263	\$ 68,263
Total current assets	2,213,439	68,263	2,281,702
Unconditional promises to give, net	-	150,787	150,787
Total noncurrent assets	11,077,592	150,787	11,228,379
Total assets	13,291,031	219,050	13,510,081
Net assets with donor restrictions	11,485,206	219,050	11,704,256
Total net assets	13,159,737	219,050	13,378,787
Total liabilities and net assets	13,291,031	219,050	13,510,081

Statement of Activities	As Previously Reported	Adjustment	As Adjusted
As of June 30, 2022			
With Donor Restrictions			
Contribution Revenues	\$ 2,032,022	\$ 20,000	\$ 2,052,022
Total Revenues	1,089,086	20,000	1,109,086
Change in Net Assets	(164,182)	20,000	(144,182)
Net Assets, Beginning of Year	11,649,388	199,050	11,848,438
Net Assets, End of Year	11,485,206	219,050	11,704,256
Statement of Cash Flows	As Previously Reported	Adjustment	As Adjusted
As of June 30, 2022			
Change in net assets	\$ (356,655)	\$ 20,000	\$ (336,655)
Unconditional promises to give, net	-	(20,000)	(20,000)

**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 June 30, 2023 through December 1, 2023, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.