



Financial Statements  
June 30, 2023 and 2022

## Saddleback College Foundation

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## Independent Auditor's Report

Board of Directors  
Saddleback College Foundation  
Mission Viejo, California

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Saddleback College Foundation (the Foundation), 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 Saddleback 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 for 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.

#### ***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 for 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.

The image shows a handwritten signature in black ink that reads "Eric Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California  
November 27, 2023

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

|  | <u>2023</u>                 | <u>2022</u>                 |
|--|-----------------------------|-----------------------------|
| Assets   |                             |                             |
| Current Assets   |                             |                             |
| Cash   | \$ 198,726                  | \$ 193,835                  |
| Accounts receivable  | 741                         | -                           |
| Due from South Orange County Community College District  | 1,259,434                   | 67,861                      |
| Investments  | 267,399                     | 191,007                     |
| Promises to give, current portion  | 84,000                      | 84,000                      |
| Prepaid expenses   | 101,084                     | 89,721                      |
| Total Current Assets   | <u>1,911,384</u>            | <u>626,424</u>              |
| Noncurrent Assets  |                             |                             |
| Investments  | 8,642,816                   | 8,868,978                   |
| Promises to give, net of discount  | 1,301,900                   | 1,331,205                   |
| Beneficial interest in assets held by the Foundation for<br>California Community Colleges (FCCC) | <u>946,678</u>              | <u>907,765</u>              |
| Total Noncurrent Assets  | <u>10,891,394</u>           | <u>11,107,948</u>           |
| Total Assets   | <u><u>\$ 12,802,778</u></u> | <u><u>\$ 11,734,372</u></u> |
| Liabilities and Net Assets   |                             |                             |
| Current Liabilities  |                             |                             |
| Accounts payable   | \$ 11,284                   | \$ 31,177                   |
| Due to South Orange County Community College District  | 107,636                     | 56,302                      |
| Pass-through scholarships payable  | <u>14,101</u>               | <u>10,485</u>               |
| Total Current Liabilities  | <u>133,021</u>              | <u>97,964</u>               |
| Net Assets   |                             |                             |
| Without donor restrictions   | 3,894,308                   | 3,378,918                   |
| With donor restrictions  | <u>8,775,449</u>            | <u>8,257,490</u>            |
| Total Net Assets   | <u>12,669,757</u>           | <u>11,636,408</u>           |
| Total Liabilities and Net Assets   | <u><u>\$ 12,802,778</u></u> | <u><u>\$ 11,734,372</u></u> |

# Saddleback College Foundation

## Statements of Activities

Years Ended June 30, 2023 and 2022

|  | 2023                          |                            |               | 2022                          |                            |               |
|--|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
| Revenues   |                               |                            |               |                               |                            |               |
| Contributions  | \$ 556,566                    | \$ 548,954                 | \$ 1,105,520  | \$ 543,180                    | \$ 880,954                 | \$ 1,424,134  |
| Special events - fundraising                             | 238,473                       | -                          | 238,473       | 210,480                       | -                          | 210,480       |
| Campus programs  | 27,563                        | -                          | 27,563        | 25,847                        | -                          | 25,847        |
| Donated services   | 1,073,032                     | -                          | 1,073,032     | 566,597                       | -                          | 566,597       |
| Donated professional fees                                | 10,200                        | -                          | 10,200        | 29,400                        | -                          | 29,400        |
| In-kind donations  | 16,960                        | -                          | 16,960        | 42,752                        | -                          | 42,752        |
| Other revenues   | 44,422                        | -                          | 44,422        | 23,760                        | 1,086                      | 24,846        |
| Total Revenues   | 1,967,216                     | 548,954                    | 2,516,170     | 1,442,016                     | 882,040                    | 2,324,056     |
| Expenses   |                               |                            |               |                               |                            |               |
| Program  | 1,531,928                     | -                          | 1,531,928     | 1,340,871                     | -                          | 1,340,871     |
| Management and general                                   | 305,246                       | -                          | 305,246       | 274,637                       | -                          | 274,637       |
| Fundraising  | 420,275                       | -                          | 420,275       | 537,814                       | -                          | 537,814       |
| Total Expenses   | 2,257,449                     | -                          | 2,257,449     | 2,153,322                     | -                          | 2,153,322     |
| Other Income (Losses)                                    |                               |                            |               |                               |                            |               |
| Investment income (losses), net of expenses              | 138,212                       | 597,503                    | 735,715       | (171,516)                     | (945,634)                  | (1,117,150)   |
| Change in beneficial interest in assets held by the FCCC | -                             | 38,913                     | 38,913        | -                             | (186,335)                  | (186,335)     |
| Administrative fees                                      | 126,508                       | (126,508)                  | -             | 126,071                       | (126,071)                  | -             |
| Net assets released from restrictions                    | 540,903                       | (540,903)                  | -             | 505,708                       | (505,708)                  | -             |
| Total Other Income (Losses)                              | 805,623                       | (30,995)                   | 774,628       | 460,263                       | (1,763,748)                | (1,303,485)   |
| Change in Net Assets                                     | 515,390                       | 517,959                    | 1,033,349     | (251,043)                     | (881,708)                  | (1,132,751)   |
| Net Assets, Beginning of Year                            | 3,378,918                     | 8,257,490                  | 11,636,408    | 3,629,961                     | 9,139,198                  | 12,769,159    |
| Net Assets, End of Year                                  | \$ 3,894,308                  | \$ 8,775,449               | \$ 12,669,757 | \$ 3,378,918                  | \$ 8,257,490               | \$ 11,636,408 |

# Saddleback College Foundation

Statements of Functional Expenses  
Years Ended June 30, 2023 and 2022

| 2023                         |                     |                           |                   |                     |
|------------------------------|---------------------|---------------------------|-------------------|---------------------|
|                              | Program             | Management<br>and General | Fundraising       | Total               |
| Salaries and benefits        | \$ 31,996           | \$ -                      | \$ 13,024         | \$ 45,020           |
| Scholarships                 | 463,623             | -                         | -                 | 463,623             |
| Donated services             | 612,606             | 271,674                   | 188,752           | 1,073,032           |
| Donated professional fees    | -                   | 10,200                    | -                 | 10,200              |
| In-kind donations            | 16,960              | -                         | -                 | 16,960              |
| Supplies and printing        | 5,367               | -                         | -                 | 5,367               |
| Conferences and meetings     | 5,569               | 4,890                     | -                 | 10,459              |
| Dues and memberships         | 6,551               | -                         | -                 | 6,551               |
| Equipment                    | 17,997              | -                         | -                 | 17,997              |
| Contract services            | 65,080              | -                         | -                 | 65,080              |
| Special events - Fundraising | -                   | -                         | 218,499           | 218,499             |
| Program expenses             | 299,498             | 5,039                     | -                 | 304,537             |
| Other expenses               | 6,681               | 13,443                    | -                 | 20,124              |
| Total Expenses               | <u>\$ 1,531,928</u> | <u>\$ 305,246</u>         | <u>\$ 420,275</u> | <u>\$ 2,257,449</u> |

  

| 2022                         |                     |                           |                   |                     |
|------------------------------|---------------------|---------------------------|-------------------|---------------------|
|                              | Program             | Management<br>and General | Fundraising       | Total               |
| Salaries and benefits        | \$ 208,538          | \$ 70,926                 | \$ 133,102        | \$ 412,566          |
| Scholarships                 | 401,296             | -                         | -                 | 401,296             |
| Donated services             | 290,040             | 170,160                   | 106,397           | 566,597             |
| Donated professional fees    | 20,000              | 9,400                     | -                 | 29,400              |
| In-kind donations            | 42,752              | -                         | -                 | 42,752              |
| Supplies and printing        | 64,210              | -                         | -                 | 64,210              |
| Conferences and meetings     | 11,241              | 1,392                     | -                 | 12,633              |
| Dues and memberships         | 7,371               | 360                       | -                 | 7,731               |
| Equipment                    | 34,053              | 5,224                     | -                 | 39,277              |
| Contract services            | 65,725              | 1,310                     | -                 | 67,035              |
| Special events - Fundraising | -                   | -                         | 298,315           | 298,315             |
| Program expenses             | 183,456             | 3,529                     | -                 | 186,985             |
| Other expenses               | 12,189              | 12,336                    | -                 | 24,525              |
| Total Expenses               | <u>\$ 1,340,871</u> | <u>\$ 274,637</u>         | <u>\$ 537,814</u> | <u>\$ 2,153,322</u> |

# Saddleback College Foundation

## Statements of Cash Flows

Years Ended June 30, 2023 and 2022

|   | 2023         | 2022           |
|---|--------------|----------------|
| Operating Activities  |              |                |
| Contributions received and special events receipts,<br>net of amounts restricted for long-term purposes | \$ 79,755    | \$ 1,146,982   |
| Campus programs receipts  | 27,563       | 25,847         |
| Other receipts  | 44,422       | 24,846         |
| Interest and dividends, net of fees   | 132,461      | 167,083        |
| Payments to/on behalf of employees  | 6,314        | (415,036)      |
| Payments to suppliers   | (679,870)    | (677,030)      |
| Payments to/on behalf of students   | (460,007)    | (390,811)      |
| Net Cash Used in Operating Activities   | (849,362)    | (118,119)      |
| Investing Activities  |              |                |
| Purchase of investments   | (2,488,756)  | (3,937,694)    |
| Sale of investments   | 3,241,780    | 4,055,149      |
| Net Cash Provided by Investing Activities   | 753,024      | 117,455        |
| Financing Activities  |              |                |
| Collections of contributions restricted for long-term purposes  | 101,229      | 74,943         |
| Net Cash Provided by Financing Activities   | 101,229      | 74,943         |
| Change in Cash  | 4,891        | 74,279         |
| Cash, Beginning of Year   | 193,835      | 119,556        |
| Cash, End of Year   | \$ 198,726   | \$ 193,835     |
| Reconciliation of Change in Net Assets to Net Cash<br>Used in Operating Activities                      |              |                |
| Change in net assets  | \$ 1,033,349 | \$ (1,132,751) |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities               |              |                |
| Net unrealized (gain)/loss on investments   | (649,747)    | 1,546,848      |
| Realized (gain)/loss on investments   | 46,493       | (262,615)      |
| Change in beneficial interest in assets held by the Foundation<br>for California Community Colleges     | (38,913)     | 186,335        |
| Amortization of discount on promises to give  | (70,695)     | (15,051)       |
| Contributions restricted for long-term purposes   | (101,229)    | (74,943)       |
| Changes in assets and liabilities   |              |                |
| Accounts receivable   | (741)        | 3,363          |
| Due from South Orange County Community College District   | (1,191,573)  | (67,861)       |
| Prepaid expenses  | (11,363)     | 5,882          |
| Promises to give, net of discount   | 100,000      | (333,140)      |
| Accounts payable  | (19,893)     | 17,799         |
| Due to South Orange County Community College District   | 51,334       | (2,470)        |
| Pass-through scholarships payable   | 3,616        | 10,485         |
| Net Cash Used in Operating Activities   | \$ (849,362) | \$ (118,119)   |



**Note 1 - Nature of Organization and 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 (the 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.

**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. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financially interrelated organizations as defined by ASC Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District 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 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 in operating 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.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Concentrations – Custodial Credit Risk**

Custodial credit risk is the risk that in the event of bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2023 and 2022, the Foundation's cash balances are collateralized at 110% in accordance with applicable California state law.

The Foundation maintains investment balances at financial institutions in excess of Securities Investor Protection Corporation (SIPC) limits. Concentration risk is managed by placing investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

**Accounts Receivable**

Accounts receivable consists primarily of amounts due from related parties and donations receivable. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

**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 initially 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 in the statements of activities. The Foundation determines the allowance for doubtful contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management has deemed all amounts as collectable; therefore, no allowance for doubtful accounts is considered necessary.

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.

**Revenue Recognition**

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 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 of goods 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.

**In-kind Contributions**

In-kind contributions include donated services, donated professional services, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Foundation records the value of donated services and professional fees when there is an objective basis available to measure their value. Donated services and professional fees are reflected as support in the accompanying statements at their estimated values at date of donation, based on the fair value of comparable services provided by third parties. Although volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation does not sell donated gifts-in-kind.

**Administrative Fee**

A one-time administrative fee of 5% is assessed on all gifts. Endowed accounts will be subject to an annual fee of 2% calculated based on the rolling prior four quarterly averages of each fund's market value as of June 30. This fee is recognized as net assets released from donor restriction to support the ongoing operations of the Foundation.

**Allocation of Functional Expenses**

The costs of providing various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, based upon management's estimates on the basis of time and effort, donated service costs have been allocated among the programs, management and general, and fundraising activities.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of 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 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 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the *California Revenue and Taxation Code*.

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.

**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 date comprise of the following:

|   | 2023                | 2022              |
|---|---------------------|-------------------|
| Cash  | \$ 198,726          | \$ 193,835        |
| Accounts receivable                                     | 741                 | -                 |
| Due from South Orange County Community College District | 1,259,434           | 67,861            |
| Promises to give, current portion                       | 84,000              | 84,000            |
| Investments   | 267,399             | 191,007           |
|   | <u>\$ 1,810,300</u> | <u>\$ 536,703</u> |
| Total Financial Assets Available Within One Year        |                     |                   |

The Foundation uses these sources to meet its ongoing obligations with respect to general expenditures, liabilities, and other obligations as they become due. Cash in excess of daily requirements is invested in various short-term investments with maturities designed to meet obligations as they come due.

**Note 3 - Investments**

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

|                         | 2023                | 2022                |
|-------------------------|---------------------|---------------------|
| Money market funds      | \$ 267,399          | \$ 191,007          |
| Corporate bonds         | 607,182             | 659,186             |
| Exchange traded funds   | 2,375,117           | 2,363,114           |
| Treasury bills          | 659,293             | 492,515             |
| Municipal bonds         | 235,155             | 271,148             |
| Mutual funds            | 1,867,862           | 1,970,598           |
| Equities                | 2,042,239           | 2,079,560           |
| Alternative investments | 855,968             | 1,032,857           |
|                         | <u>8,910,215</u>    | <u>9,059,985</u>    |
| Total                   | <u>\$ 8,910,215</u> | <u>\$ 9,059,985</u> |

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

|   | 2023              | 2022                  |
|---|-------------------|-----------------------|
| Realized gain (loss) on investments             | \$ (46,493)       | \$ 262,615            |
| Unrealized gain (loss) on investments           | 649,747           | (1,546,848)           |
| Interest and dividends                          | 166,257           | 205,351               |
|   | <u>769,511</u>    | <u>(1,078,882)</u>    |
| Total Investment Income (Loss)                  | <u>769,511</u>    | <u>(1,078,882)</u>    |
| Investment expenses                             | (33,796)          | (38,268)              |
|   | <u>(33,796)</u>   | <u>(38,268)</u>       |
| Total Investment Income (Loss), Net of Expenses | <u>\$ 735,715</u> | <u>\$ (1,117,150)</u> |

**Note 4 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges- Osher Endowment Scholarship**

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California community college students in perpetuity. The fund began in May 2008 with a \$25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the Foundation and its donors have contributed \$803,440. As of June 30, 2023 and 2022, the ending balance of the Osher Endowment Scholarship was \$946,678 and \$907,765, respectively. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

**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. A three-tier hierarchy categorizes the inputs as follows:

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.

The fair value of beneficial interests in charitable trusts is determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and is based on the fair value of trust investments as reported by the trustees. The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges (FCCC) is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

The Foundation uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds and real estate investment trusts, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

#### 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                |                   |                   |                     |
|---|---------------------|-------------------|-------------------|---------------------|
|   | Level 1             | Level 2           | Level 3           | Total               |
| <b>Assets</b>                                       |                     |                   |                   |                     |
| Money market funds                                  | \$ 267,399          | \$ -              | \$ -              | \$ 267,399          |
| Corporate bonds                                     | -                   | 607,182           | -                 | 607,182             |
| Exchange traded funds                               | 2,375,117           | -                 | -                 | 2,375,117           |
| Treasury bills                                      | 659,293             | -                 | -                 | 659,293             |
| Municipal bonds                                     | -                   | 235,155           | -                 | 235,155             |
| Mutual funds  | 1,867,862           | -                 | -                 | 1,867,862           |
| Equities  | 2,042,239           | -                 | -                 | 2,042,239           |
| Beneficial interest in assets held by FCCC          | -                   | -                 | 946,678           | 946,678             |
| <b>Total</b>  | <b>\$ 7,211,910</b> | <b>\$ 842,337</b> | <b>\$ 946,678</b> | <b>\$ 9,000,925</b> |
| Alternative investments measured at net asset value |                     |                   |                   | <b>\$ 855,968</b>   |
|   |                     |                   |                   |                     |
|   | 2022                |                   |                   |                     |
|   | Level 1             | Level 2           | Level 3           | Total               |
| <b>Assets</b>                                       |                     |                   |                   |                     |
| Money market funds                                  | \$ 191,007          | \$ -              | \$ -              | \$ 191,007          |
| Corporate bonds                                     | -                   | 659,186           | -                 | 659,186             |
| Exchange traded funds                               | 2,363,114           | -                 | -                 | 2,363,114           |
| Treasury bills                                      | 492,515             | -                 | -                 | 492,515             |
| Municipal bonds                                     | -                   | 271,148           | -                 | 271,148             |
| Mutual funds  | 1,970,598           | -                 | -                 | 1,970,598           |
| Equities  | 2,079,560           | -                 | -                 | 2,079,560           |
| Beneficial interest in assets held by FCCC          | -                   | -                 | 907,765           | 907,765             |
| <b>Total</b>  | <b>\$ 7,096,794</b> | <b>\$ 930,334</b> | <b>\$ 907,765</b> | <b>\$ 8,934,893</b> |
| Alternative investments measured at net asset value |                     |                   |                   | <b>\$ 1,032,857</b> |

The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022. The Foundation did not have any assets or liabilities measured at fair value on a non-recurring basis as of June 30, 2023 and 2022.

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30:

| 2023                         |                     |                      |                      |                          |
|------------------------------|---------------------|----------------------|----------------------|--------------------------|
|                              | Fair Value          | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Real estate investment trust | \$ 429,404          | \$ -                 | Monthly              | None                     |
| Hedge funds                  | 426,564             | -                    | Illiquid (1)         | 95 days                  |
|                              | <u>\$ 855,968</u>   | <u>\$ -</u>          |                      |                          |
| 2022                         |                     |                      |                      |                          |
|                              | Fair Value          | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Real estate investment trust | \$ 617,556          | \$ -                 | Monthly              | None                     |
| Hedge funds                  | 415,301             | -                    | Illiquid (1)         | 95 days                  |
|                              | <u>\$ 1,032,857</u> | <u>\$ -</u>          |                      |                          |

(1) The hedge 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 each year.

The significant investment strategies of the real estate investment trust include providing attractive current income in the form of regular, stable cash distributions; preserving and protecting invested capital; realizing appreciation in NAV from proactive investment management and asset management; and providing an investment alternative for stockholders seeking to allocate a portion of their long-term investment portfolios to commercial real estate with lower volatility than public real estate companies.

The hedge funds investment objective is capital appreciation with limited variability of returns. The hedge fund seeks to achieve this objective by allocating capital to a select group of alternative asset managers and the investment funds they operate. The hedge fund primarily invests across four core hedge fund strategies: relative value, market neutral and hedged equity, event-driven, and distressed and credit securities.



**Note 6 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows at June 30:

|  | 2023                | 2022                |
|--|---------------------|---------------------|
| Promises to give before unamortized discount   | \$ 1,643,590        | \$ 1,745,965        |
| Less: Unamortized discount                     | <u>(257,690)</u>    | <u>(330,760)</u>    |
| Promises to Give, Net of Discount              | <u>\$ 1,385,900</u> | <u>\$ 1,415,205</u> |
|  | 2023                | 2022                |
| Amounts due within one year                    | <u>\$ 84,000</u>    | <u>\$ 84,000</u>    |
| Amounts due within one to five years           | 220,000             | 340,000             |
| Amounts due within more than five years        | 1,339,590           | 1,321,965           |
| Less: Unamortized discount                     | <u>(257,690)</u>    | <u>(330,760)</u>    |
| Subtotal Long-Term Portion of Promises to Give | <u>1,301,900</u>    | <u>1,331,205</u>    |
| Total  | <u>\$ 1,385,900</u> | <u>\$ 1,415,205</u> |

As of June 30, 2023 and 2022, promises to give were discounted using a rate of 6%.

**Note 7 - Pass-through Scholarships Payable**

The Foundation acts as a fiscal agent for departments, organizations, and groups of Saddleback College. Accordingly, at June 30, 2023 and 2022, \$14,101 and \$10,485 of the Foundation's assets belong to other parties, respectively. The Foundation does not have legal access nor any discretion over the amounts held for others behalf.

**Note 8 - Board Designated Net Assets**

Net assets without donor restrictions that have been board designated for the Saddleback College Emeritus Institute amounted to \$672,474 and \$657,629 at June 30, 2023 and 2022, respectively.

**Note 9 - Net Assets with Donor Restrictions**

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

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| Campus programs and scholarships  | \$ 1,233,071        | \$ 1,599,859        |
| Endowments - accumulated and unspent earnings, and<br>board designated balances | <u>3,321,225</u>    | <u>2,495,591</u>    |
| Total   | <u>\$ 4,554,296</u> | <u>\$ 4,095,450</u> |

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

|                                    | <u>2023</u>         | <u>2022</u>         |
|------------------------------------|---------------------|---------------------|
| Osher endowment                    | \$ 946,678          | \$ 907,765          |
| Endowments related to scholarships | <u>3,274,475</u>    | <u>3,254,275</u>    |
| Total                              | <u>\$ 4,221,153</u> | <u>\$ 4,162,040</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended June 30:

|                                      | <u>2023</u>       | <u>2022</u>       |
|--------------------------------------|-------------------|-------------------|
| Satisfaction of Purpose Restrictions |                   |                   |
| Campus programs and scholarships     | <u>\$ 540,903</u> | <u>\$ 505,708</u> |

**Note 10 - 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:

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

**Risk Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Since the purpose of endowments is to provide scholarships and other benefits in perpetuity, endowment funds are invested with a long-term perspective. The policy is to protect the principal, over the long-term, and yet maximize the investment earnings so as to maximize the benefit provided by the endowment. 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**

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.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Governors. In accordance with US GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2023 and 2022, respectively.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 are as follows:

|                                  | 2023                       |                         |
|----------------------------------|----------------------------|-------------------------|
|                                  | Without Donor Restrictions | With Donor Restrictions |
| Donor-restricted endowment funds | \$ -                       | \$ 655,913              |
| Board-designated endowment funds | 672,474                    | 6,886,465               |
| <b>Total</b>                     | <b>\$ 672,474</b>          | <b>\$ 7,542,378</b>     |
|                                  |                            |                         |
|                                  | 2022                       |                         |
|                                  | Without Donor Restrictions | With Donor Restrictions |
| Donor-restricted endowment funds | \$ -                       | \$ 3,965,216            |
| Board-designated endowment funds | 657,629                    | 2,692,415               |
| <b>Total</b>                     | <b>\$ 657,629</b>          | <b>\$ 6,657,631</b>     |

# Saddleback College Foundation

Notes to Financial Statements

June 30, 2023 and 2022

Changes in endowment net assets as of June 30, 2023 and 2022, are as follows:

|   | 2023                       |                         |
|---|----------------------------|-------------------------|
|   | Without Donor Restrictions | With Donor Restrictions |
| Endowment net assets, beginning of year   | \$ 657,629                 | \$ 6,657,631            |
| Contributions                             | -                          | 101,229                 |
| Board designation of endowment            | -                          | 500,212                 |
| Investment income (loss), net of expenses | 14,845                     | 487,083                 |
| Amounts appropriated for expenditures     | -                          | (203,777)               |
| Endowment net assets, end of year         | <u>\$ 672,474</u>          | <u>\$ 7,542,378</u>     |
|   | 2022                       |                         |
|   | Without Donor Restrictions | With Donor Restrictions |
| Endowment net assets, beginning of year   | \$ 642,962                 | \$ 7,979,799            |
| Contributions                             | -                          | 74,943                  |
| Board designation of endowment            | -                          | 25,000                  |
| Investment income (loss), net of expenses | 14,667                     | (1,197,430)             |
| Amounts appropriated for expenditures     | -                          | (224,681)               |
| Endowment net assets, end of year         | <u>\$ 657,629</u>          | <u>\$ 6,657,631</u>     |

## Note 11 - In-kind Contributions

The Foundation was given program and service support from the South Orange County Community College District. The following is a breakdown of these in-kind donated services and professional fees at June 30:

|                           | 2023                | 2022              |
|---------------------------|---------------------|-------------------|
| Donated services          | \$ 1,073,032        | \$ 566,597        |
| Donated professional fees | 10,200              | 9,400             |
| Total                     | <u>\$ 1,083,232</u> | <u>\$ 575,997</u> |

During the year ended June 30, 2023 and 2022, the Foundation also received donated assets and services from various donors, which the Foundation passed through to the District for use in its programs.

|   | 2023             | 2022             |
|---|------------------|------------------|
| Donated assets passed through to the District | \$ 16,960        | \$ 42,752        |
| Donated professional fees                     | -                | 20,000           |
| Total   | <u>\$ 16,960</u> | <u>\$ 62,752</u> |

All in-kind contributions received during the years ended June 30, 2023 and 2022 were without donor restrictions.

## Note 12 - Related Party Transactions

### South Orange County Community College District (the District)

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the Foundation directors and staff. Additionally, the District pays professional fees for services rendered on behalf of the Foundation. The donated services and professional fees for the year ended June 30, 2023 were valued at \$1,073,032 and \$10,200, respectively. The donated services and professional fees for the fiscal year ended June 30, 2022 were valued at \$566,597 and \$9,400, respectively. These amounts have been reflected in the financial statements as donated services and donated professional fees revenues and expenses.

At June 30, 2023 and 2022, the Foundation had outstanding receivables from the District in the amounts of \$1,259,434 and \$67,861, respectively. At June 30, 2023 and 2022, the Foundation had \$107,636 and \$56,302, respectively, in outstanding payables due to the District.

## 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 November 27, 2023, which is the date the financial statements were available to be issued and has determined there are no needed recognitions or disclosures.