

SIERRA COMMUNITY COLLEGE FOUNDATION

FINANCIAL STATEMENTS

June 30, 2018 and 2017

SIERRA COMMUNITY COLLEGE FOUNDATION
Rocklin, California

FINANCIAL STATEMENTS
June 30, 2018 and 2017

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The Sierra Community College Foundation provides members of the community the opportunity to assist and invest in the development of quality educational opportunities for Sierra Community College students. In concert with the College and the community it serves, the Foundation commits itself to educational excellence by identifying donor resources to support a learning environment enriched by diversity, leadership, innovation, and responsibility which, in turn, promotes personal and professional success and a sense of community.

The Sierra Community College Foundation (SCF) is a nonprofit corporation exempt from income tax under Section 501(c) (3) of the Internal Revenue Code whose sole purpose is to provide financial assistance to the Sierra Community College students and programs, through scholarships, educational projects, and capital development.

The financial statements of SCF communicate its financial condition and operational results. The statements are presented, in many ways, similar to those of business enterprises. They include:

- **Statement of Financial Position.** This report presents the financial position as of the end of the fiscal year (which is June 30th) including assets, liabilities, and net assets (equity). It should help the reader obtain information about SCF's long and short-term investments and net asset classifications.
- **Statement of Activities.** This report presents financial activity during the fiscal year, thereby reconciling the beginning and end-of-year net asset positions contained in the Statement of Financial Position. It provides activity information about the three classes of net assets and helps to distinguish net operating results from programmatic donor-directed activities.
- **Statement of Cash Flows.** This report presents cash-related activities during the fiscal year, thereby reconciling the beginning and end-of-year cash balances contained in the Statement of Financial Position. Like those required of for-profit entities, this statement segregates the activities of SCF into three categories: cash flows from operations, investing, and financing activities.

In other ways however, SCF's statements differ from those of businesses. The revenue stream for SCF is primarily contributions from our donor base. Because the net assets may not be immediately available for use, our financial statements divide them into three classes: Unrestricted, Temporarily Restricted and Permanently Restricted. The distinction among these classes is linked to the control SCF has over their use.

Statement of Financial Position

Current assets consist primarily of cash, cash equivalents, and receivables.

The finance committee has worked diligently throughout the year with its financial advisors to sustain a strong portfolio in accordance with SCF's investment policy. Through the generosity of its donors, a strong financial market, and the stewardship of management, SCF's financial position continues to grow.

Total net assets increased from \$8,026,244 to \$8,747,436. Net assets are directly impacted by the collection and subsequent use of donations as well as any changes in the market value of the investments. The following classes are contained within total net assets:

- *Unrestricted net assets* are the amounts that are available to SCF for any purpose in support of its mission. This class of net assets increased by \$233,719 over the prior year.
- *Temporarily restricted net assets* are restricted by the donor and can only be spent in accordance with the donor's specified criteria. This class of net assets increased by \$258,099 over the prior year.
- *Permanently restricted net assets* are endowment funds where only endowment investment earnings may be spent. The corpus is non-expendable and must be held in perpetuity. This class of net assets increased by \$229,374.

Statement of Activities

The Statement of Activities includes the following categories

Revenue, gains and other support are revenues received from bequests, donors and fundraising events. Investment income and appreciation or depreciation of its investments is also reflected in this section.

- *Annual Fundraising.* SCF generated \$1,880,380 in contributions during 2017-2018, including unrestricted funds of \$927,904.
- *Annual Events.* SCF sponsored the annual Taste of Excellence, Science Museum – Dino Days, Patrons Crab Feed, Ridley Gallery Holiday Art Sale, Drama production and Day for Women fundraising events. Total revenues from all fundraising events were \$451,241 (included in the total annual contribution amount listed above).

District support and Foundation expenses are payments for student scholarships, academic program support, fundraising expenses and operating costs to carry out the mission of SCF.

As part of its mission, Sierra College Foundation raises funds and supports initiatives on campus. SCF **GIVES** summarizes the Sierra College Foundation's Core mission:

- **Guardian Scholar** - The Guardian Scholar Program offers comprehensive financial and educational support to emancipated youth attending Sierra College to ensure their educational success. For the tenth consecutive year, and with tremendous support from the community, SCF provided financial support and care-packs to emancipated youths attending Sierra College. This year over 200 care-packs were distributed to these students. The care-packs contained school supplies, basic hygiene items, grocery cards, book vouchers, scientific calculators, flash drives, and other necessities to help these students begin a successful college journey.
- **Innovation** – SCF supports innovative programs benefiting students on campus. Sierra College continues its partnership with Hacker Lab to establish a maker and co-working space in Rocklin. Last year over \$37,000 funded innovative programs such as "Kick Box", a business class project where students took their ideas from concept to market. Kick Box offered the students access to Hacker Lab classes to further their business plan, as well as the opportunity to present their project to

business leaders in a competition with the winner receiving funds to pursue their plan. SCF also received \$300,000 from the Gene Haas Foundation to establish the Gene Haas Center for Advanced Manufacturing by Design, where students train on state of the art equipment to prepare them for workforce needs in our region. These programs benefited hundreds of students.

- **Veterans** – Sierra College serves over 800 veterans each year. Sierra College Veterans Success Center is the “Hub” for Small Business Development Center (SBDC) for Veterans attending Sierra College. SCF has been successful in raising funds to help support the SBDC activities at Sierra College Veterans Center. Last year many veterans took advantage of business consulting services offered at the SBDC resulting in successful employment and in establishing new businesses. Sierra College Foundation raises funds throughout the year to offer additional support to Veterans attending Sierra College, i.e. book vouchers, gas cards, emergency funding, etc.
- **Emergency Support** – SCF continues to see an increase in requests for student emergency funding. These requests support students with one-time emergencies that could potentially impact their ability to stay in school, i.e. temporary lodging, health care, car repairs, book vouchers, gas money, etc. SCF has been successful in establishing an endowment of approximately \$250,000 to provide one-time emergency grants (maximum of \$500 per student) to these students. Last year, from investment earnings on the endowment and additional contributions from donors, we were able to offer close to \$13,500 of support to 37 students helping them to stay in college.
- **Scholarships** – SCF offers 356 scholarships annually. This year SCF awarded \$268,250 in scholarships which benefited over 300 students.

Each year, working with the College Administration, SCF selects a program or project on which to concentrate its fundraising efforts.

- **Sierra Promise** - Sierra Promise is a partnership between the College, K-12s and the community targeting high school seniors who never thought college was possible. This year, SCF launched a three-year capital campaign to raise one million dollars to establish an endowment to continue this innovative initiative. Over 1,200 students registered at Sierra College as part of the Promise initiative. Understanding the immediate needs of these students, SCF was able to raise \$46,000 to provide immediate support for 125 of the most financially challenged students.

In addition to the above initiatives, SCF was able to secure funding to offer financial assistance to other groups on campus such as Rainbow Alliance, supporting LGBTQ students, and La Puente, whose mission is to increase the number of Hispanic and Latino students who transfer to four-year colleges and universities.

Operating Expenses include compensation for the Executive Director and Foundation staff (3 full-time employees and 2 part-time employees), as well as office operating expenses.

The change in net assets is the result of the fiscal year's excess revenues over expenses; which is also the change in total net assets on the Statement of Financial Position. Donations are often received in one fiscal year for a particular purpose identified by the donor but not spent until a subsequent fiscal year.

Statement of Cash Flows

The Statement of Cash Flows reflects the cash provided by and used in operating, capital and related financing and investing activities.

- Operating activities include funds received (i.e. from private donors' contributions and events) and payments (i.e., for programs, publicity, scholarships, grants, events and other services) provided by SCF's operations.
- Investing activities represent funds used to purchase investments, proceeds from the sale of investments and earnings on the investments held by SCF.

Economic Outlook

This has been a very successful fundraising year for SCF as we exceeded our fundraising goals on all projects. At its annual goal setting meeting, SCF's Board of Directors recognized this momentum and agreed to continue its fundraising efforts for the existing projects that continue to have the highest impact on the lives of Sierra College students. These projects include the Guardian Scholar Program, Innovation, Veterans, Emergency Fund, and Scholarships. The Board of Directors also committed to continue its support of "Sierra Promise" by continuing its capital campaign with a goal to raise one million dollars for an endowment to support this innovative initiative. Sierra Promise has been a successful endeavor offering access to higher education to those who never thought college was possible.

The Board of Directors also continues to focus on expanding fundraising efforts and working with the District to identify campus needs that can be addressed through Foundation support.

Stewardship is of utmost importance to SCF. We strive to meet the standards for charity accountability as set by the Better Business Bureau Wise Giving Alliance and the American Institute of Philanthropy.

Contacting the Foundation's Financial Management

This financial report is designed to provide our citizens, taxpayers, donors, investors, and creditors with a general overview of SCF's finances and to demonstrate SCF's accountability for the money it receives. Please visit us at our website, www.sierracollege.edu/foundation. If you have questions about this report or need additional information, contact the Sierra Community College Foundation Executive Director, Sonbol Aliabadi, 5100 Sierra College Blvd., Rocklin, CA, (916) 660-7020.



Sonbol Aliabadi
Executive Director

SIERRA COMMUNITY COLLEGE FOUNDATION
ORGANIZATION
June 30, 2018
(Unaudited)

The Sierra College Foundation (the "Foundation") is governed by a Board of Directors and is a legal entity separate from the Sierra Joint Community College District (the "District"). The Foundation was formed in 1972 and became incorporated in 1973.

The Foundation secures property by outright gift, bequest, will or trust and earnings from investments. The Foundation makes gifts, loans, grants and scholarships in order to promote, foster and implement the programs and activities of the District.

The Board of Directors for the fiscal year ended June 30, 2018 was comprised of the following members:

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Robert Dugan	President	June 2019
Holly Tiche	Past President	June 2020
Kris Mapes	Chief Financial Officer	June 2020
Grace Bowen	Vice President Governance	June 2019
John Crenshaw	Vice President Strategic Planning	June 2020
Lori Rianda	Secretary	June 2020
Nancy Abreu	Member	June 2019
Dave Breninger	Member	June 2019
Ned Cohen	Member	June 2019
Susan Goto	Member	June 2020
Brent Haapanen	Member	June 2019
Julie Hanson	Member	June 2020
Peggy Murray	Member	June 2019
Amanda Merz	Member	June 2019
Cari Dawson-Bartley	Sierra College Board of Trustees	
Willy Duncan	District President/Superintendent	
Judy East	Designated NCC Coordinating Council	
Carol Garcia	Sierra College Board of Trustees	
Barbara Vineyard	Designated Rocklin Coordinating Council	

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sierra College Foundation
Rocklin, California

Report on the Financial Statements

We have audited the accompanying financial statements of Sierra College Foundation (the "Foundation") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sierra College Foundation as of June 30, 2018 and 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Executive Director's Report on pages 1 through 4 and Organization on page 5 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Crowe LLP

Crowe LLP

Sacramento, California
November 13, 2018

FINANCIAL STATEMENTS

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 1,033,445	\$ 957,465
Investments	7,741,280	7,146,229
Receivables	<u>90,151</u>	<u>38,822</u>
Total assets	<u>\$ 8,864,876</u>	<u>\$ 8,142,516</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 117,440</u>	<u>\$ 116,272</u>
NET ASSETS		
Unrestricted	2,699,500	2,465,781
Temporarily restricted	2,061,649	1,803,550
Permanently restricted for endowments	<u>3,986,287</u>	<u>3,756,913</u>
Total net assets	<u>8,747,436</u>	<u>8,026,244</u>
Total liabilities and net assets	<u>\$ 8,864,876</u>	<u>\$ 8,142,516</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	2018			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenues, gains and other support:				
Contributions and grants	\$ 205,659	\$ 595,595	\$ 229,374	\$ 1,030,628
Investment income	31,988	74,324	-	106,312
Realized gain (loss) on sale of investments	(12,941)	76,865	-	63,924
Net unrealized gain on investments	138,249	140,331	-	278,580
Donated from the College District	286,070	-	-	268,070
Special events and other revenues	<u>436,173</u>	<u>127,508</u>	<u>-</u>	<u>563,681</u>
Total revenues, gains and other support before assets released from restrictions and other transfers	1,085,199	1,014,622	229,374	2,329,195
Net assets released from restrictions and other transfers	<u>756,523</u>	<u>(756,523)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,841,722</u>	<u>258,099</u>	<u>229,374</u>	<u>2,329,195</u>
District support and Foundation expenses:				
Scholarships	268,250	-	-	268,250
Academic program support	548,343	-	-	548,343
Administration	621,092	-	-	621,092
Fundraising	<u>170,318</u>	<u>-</u>	<u>-</u>	<u>170,308</u>
Total District support and Foundation expenses	<u>1,608,003</u>	<u>-</u>	<u>-</u>	<u>1,608,003</u>
Change in net assets	<u>233,719</u>	<u>258,099</u>	<u>229,374</u>	<u>721,192</u>
Net assets, July 1, 2017	<u>2,465,781</u>	<u>1,803,550</u>	<u>3,756,913</u>	<u>8,026,244</u>
Net assets, June 30, 2018	<u>\$ 2,699,500</u>	<u>\$ 2,061,649</u>	<u>\$ 3,986,287</u>	<u>\$ 8,747,436</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	2017			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenues, gains and other support:				
Contributions and grants	\$ 28,258	\$ 492,851	\$ 274,817	\$ 795,926
Investment income	29,655	68,413	-	98,068
Realized gain (loss) on sale of investments	17,870	71,217	-	89,087
Net unrealized gain on investments	218,748	325,731	-	544,479
Donated from the College District	281,090	-	-	281,090
Special events and other revenues	<u>487,168</u>	<u>120,247</u>	<u>-</u>	<u>607,415</u>
Total revenues, gains and other support before assets released from restrictions and other transfers	1,062,789	1,078,459	274,817	2,416,065
Net assets released from restrictions and other transfers	<u>719,940</u>	<u>(812,740)</u>	<u>92,800</u>	<u>-</u>
Total revenues, gains and other support	<u>1,782,729</u>	<u>265,719</u>	<u>367,617</u>	<u>2,416,065</u>
District support and Foundation expenses:				
Scholarships	289,139	-	-	289,139
Academic program support	507,346	-	-	507,346
Administration	533,746	-	-	533,746
Fundraising	<u>153,531</u>	<u>-</u>	<u>-</u>	<u>153,531</u>
Total District support and Foundation expenses	<u>1,483,762</u>	<u>-</u>	<u>-</u>	<u>1,483,762</u>
Change in net assets	<u>298,967</u>	<u>265,719</u>	<u>367,617</u>	<u>932,303</u>
Net assets, July 1, 2016	<u>2,166,814</u>	<u>1,537,831</u>	<u>3,389,296</u>	<u>7,093,941</u>
Net assets, June 30, 2017	<u>\$ 2,465,781</u>	<u>\$ 1,803,550</u>	<u>\$ 3,756,913</u>	<u>\$ 8,026,244</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Donations received from contributions and other revenues	\$ 1,829,051	\$ 1,816,118
Contributions and other revenues restricted for long term investment	(229,374)	(274,817)
Payments to suppliers for goods and services	(810,884)	(678,660)
Payments to/on behalf of employees	(527,701)	(453,178)
Payments to/on behalf of students	(268,250)	(289,139)
Other receipts and payments	<u>170,840</u>	<u>156,923</u>
Net cash provided by operating activities	<u>163,682</u>	<u>277,247</u>
Cash flows from investing activities:		
Purchase of investments	(791,017)	(2,248,400)
Investment management fees	(64,529)	(58,855)
Proceeds from sales of investments	<u>538,470</u>	<u>1,868,634</u>
Net cash used in investing activities	<u>(317,076)</u>	<u>(438,621)</u>
Cash flows provided by financing activities:		
Contributions and other revenues restricted for long term investments	<u>229,374</u>	<u>274,817</u>
Change in cash and cash equivalents	75,980	113,443
Cash and cash equivalents – beginning of year	<u>957,465</u>	<u>844,022</u>
Cash and cash equivalents – end of year	<u>\$ 1,033,445</u>	<u>\$ 957,465</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 721,192	\$ 932,303
Realized gain on sales of investments	(63,924)	(89,087)
Investment management fees	64,529	58,855
Net change in the fair value of investments	(278,580)	(544,479)
Contributions restricted for long term investment	(229,374)	(274,817)
Changes in assets and liabilities:		
Receivables	(51,329)	131,687
Accounts payable and accrued expenses	<u>1,168</u>	<u>62,785</u>
Net cash provided by operating activities	<u>\$ 163,682</u>	<u>\$ 277,247</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization: Sierra College Foundation (the "Foundation") is a not-for-profit public benefit corporation organized to provide support to various programs and functions of Sierra Joint Community College District (the "District"), as well as to provide a link between the District and the community. The Foundation is considered a component unit of the District for financial reporting purposes and, accordingly, is reported as a discreetly presented component unit in the District's financial statements.

The mission of Sierra College Foundation is to give the members of our community the opportunity to assist and invest in the development of quality educational opportunities for all.

In concert with Sierra College and the community it serves, the Foundation commits itself to work toward educational excellence, and to assist in the implementation of the mission of Sierra College to provide a supportive learning environment enriched by diversity, which promotes personal and professional success, leadership, innovation, responsibility, and a sense of community.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation: The Foundation has adopted the provisions of Codification Topic 958-605, *Accounting for Contributions Received and Contributions Made*, and Codification Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restriction on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash Equivalents: The Foundation considers all highly liquid investments with original maturity dates of three months or less as cash equivalents.

Receivables: Receivables consist of unconditional promises to give. Unconditional promises to give are expected to be collected within one year and are recorded at net realizable value. The Foundation utilizes the allowance method for accounting for uncollectible receivables. No allowance was necessary at June 30, 2018 or 2017.

(Continued)

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments in equity marketable securities are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned. Security transactions are recorded on a trade date basis.

Included in total investments at June 30, 2018 and 2017 is an investment in a closely-held company in the amount of \$91,495. This investment without readily determinable fair value is carried at cost because of the Foundation's inability to exercise significant influence over the company.

Net Assets: The Foundation accounts for its endowments in accordance with *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* (Codification Topic 958-205). The Foundation's endowment currently consists of 35 individual funds established for the purpose of supporting education at the District. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

The Foundation follows adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

Contributions: Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Event revenues received in advance are deferred and recognized in the period as the events occur.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

District Support: District support is accrued when awarded by the Foundation for the benefit of the District and is unconditional. District support is provided from available income and principal in accordance with restrictions imposed by donors and is recorded as academic program support and grants expense in the statement of activities.

Concentration of Credit Risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes the Foundation is not exposed to any significant credit risk related to cash.

At June 30, 2018, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$1,033,445 and the bank balance was \$1,045,950. The bank balance amount insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation was \$830,120. At June 30, 2017, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$957,465 and the bank balance was \$969,321. The bank balance amount insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation was \$868,104.

Tax Status: The United States Treasury Department determined that the Foundation is a nonprofit tax-exempt corporation as defined by Internal Revenue Code Section 501(c)(3). A similar determination was made by the California Franchise Tax Board under Section 237 of the State Revenue and Taxation code.

In 2003, the Foundation Board of Directors approved the 501(h) lobby election of the Internal Revenue Code. Such status provides the Foundation with the ability to participate in the public policy process through lobbying and advocacy campaigns, but limits the Foundation's expenses for this purpose to a maximum of 20% of the first \$500,000 of annual expenditures.

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Sierra College Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2018 and 2017, the Foundation did not incur any interest or penalties.

The Foundation would recognize interest and penalties related to unrecognized tax benefits in tax expense. During the year ended June 30, 2018 and 2017, the Foundation did not recognize any interest or penalties. The Foundation files exempt organization returns in the U.S. Federal and California jurisdictions. The returns remain subject to examination by the U.S. Federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018 and 2017

NOTE 2 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 6,969,263	\$ 6,384,635
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher)	680,522	670,099
Equity security	<u>91,495</u>	<u>91,495</u>
	<u>\$ 7,741,280</u>	<u>\$ 7,146,229</u>

Included in total investments at June 30, 2018 and 2017 is an equity investment in a closely-held company in the amount of \$91,495. This investment without readily determinable fair value is carried at cost because of the Foundation's inability to exercise significant influence over the company.

The Foundation invests in a pooled scholarship endowment fund, FCCC/Osher, managed by the Foundation for California Community Colleges (FCCC). The objective of the Foundation's investment in FCCC/Osher is to grow the Foundation's investments through the Bernard Osher Foundation pledge to match funds contributed to FCCC/Osher. Funds invested in the endowment fund by the Foundation cannot be removed at any time. The investment managers engaged by FCCC are required to follow specific guidelines set forth by FCCC with respect to the various types of allowable investments purchased and held by the pool. Accordingly, the estimated fair value of these investments is based on information provided by external investment managers engaged by FCCC. At June 30, 2018, the Foundation investment in the pool consisted of 5% cash and short term investments, 26% fixed income securities, and 69% equity securities. At June 30, 2017, the Foundation investment in the pool consisted of 5% cash and short term investments, 30% fixed income securities, and 65% equity securities.

The Foundation's investments outside of the pooled fund, consist of open-end mutual funds, therefore, there is no significant interest rate risks related to the investments held, as there are no maturities related to the mutual funds held.

Fair Value Measurements

The following presents information about the Foundation's assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by the Foundation to determine such fair value based on the hierarchy:

Level 1 – Quoted market prices or identical instruments traded in active exchange markets.

Level 2 – Significant other observable inputs such as quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the methods that market participants would use in pricing an asset or liability.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 2 – INVESTMENTS (Continued)

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>Description</u>	2018			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Mutual funds	\$ 6,969,263	\$ 6,969,263	\$ -	\$ -
Investment in FCCC/Osher **	680,522	-	-	-
Total investment securities	\$ 7,649,785	\$ 6,969,263	\$ -	\$ -

<u>Description</u>	2017			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Mutual funds	\$ 6,384,635	\$ 6,384,635	\$ -	\$ -
Investment in FCCC/Osher **	670,099	-	-	-
Total investment securities	\$ 7,054,734	\$ 6,384,635	\$ -	\$ -

Valuation approach:

** Investments measured at fair value using net asset value (“NAVs”) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for such investments are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The Foundation's mutual fund investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices or broker or dealer quotations.

Investment in FCCC/Osher – The fair value of the investments held by FCCC were based upon the net asset values (“NAVs”) of the assets at June 30, 2018 and 2017. The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio.

Foundation management reviews the valuations and returns in comparison to industry benchmarks and other information provided by FCCC, but there is currently no visibility provided by FCCC to the specific listing of underlying investment holdings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no changes in the valuation techniques used during the years ended June 30, 2018 and 2017. There were no transfers of assets between the fair value levels for the years ended June 30, 2018 and 2017.

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SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 3 – ADMINISTRATIVE SERVICE FEES

The Foundation earned revenues of \$145,000 during the years ended June 30, 2018 and 2017, for services provided to the District in assisting in the administration of scholarships to individual students in accordance with the terms and conditions specified in the individual scholarship fund.

NOTE 4 – NET ASSETS

Board-designated endowment funds – The Board of the Foundation has designated endowment funds for the Technology Endowment, Sierra College Foundation Scholarship endowment and Student Emergency (911) endowment. Board designated endowment funds of \$1,262,735 and \$1,208,130 are included in unrestricted net assets as of June 30, 2018 and 2017, respectively.

Temporarily restricted – A summary of temporarily restricted net assets and the related donor restrictions are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Academic program	\$ 868,605	\$ 760,460
Scholarships and awards	1,109,100	952,711
Fundraising	<u>83,944</u>	<u>90,379</u>
	<u>\$ 2,061,649</u>	<u>\$ 1,803,550</u>

Permanently restricted for endowment – At June 30 2018 and 2017, the Foundation held \$3,986,287 and \$3,756,913, respectively, in endowment funds for scholarships and awards. The investment income earned on these permanently restricted net assets is generally restricted as to purpose and is held in temporarily restricted net assets until the purpose is met at which time the funds are released from restriction.

Changes in endowment net assets for the fiscal year ended June 30, 2018, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,208,130	\$ 479,012	\$ 3,756,913	\$ 5,444,055
Change in fair value of investments and investment income	57,605	224,373	-	281,978
Contributions	-	41,160	229,374	270,534
Other transfer	-	2,500	-	2,500
Appropriation of endowment assets for expenditure	<u>(3,000)</u>	<u>(155,818)</u>	<u>-</u>	<u>(158,818)</u>
Endowment net assets, end of year	<u>\$ 1,262,735</u>	<u>\$ 591,227</u>	<u>\$ 3,986,287</u>	<u>\$ 5,840,289</u>

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 4 – NET ASSETS (Continued)

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2018, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 591,227	\$ 3,986,287	\$ 4,577,514
Board-designated endowment funds	<u>1,262,735</u>	<u>-</u>	<u>-</u>	<u>1,262,735</u>
Total	<u>\$ 1,262,735</u>	<u>\$ 591,227</u>	<u>\$ 3,986,287</u>	<u>\$ 5,840,289</u>

Changes in endowment net assets for the fiscal year ended June 30, 2017, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,213,136	\$ 239,792	\$ 3,389,296	\$ 4,842,224
Change in fair value of investments and investment income	127,994	360,682	-	488,676
Contributions		46,406	274,817	321,223
Other transfer		682	92,800	93,482
Appropriation of endowment assets for expenditure	<u>(133,000)</u>	<u>(168,550)</u>	<u>-</u>	<u>(301,550)</u>
Endowment net assets, end of year	<u>\$ 1,208,130</u>	<u>\$ 479,012</u>	<u>\$ 3,756,913</u>	<u>\$ 5,444,055</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2017, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 479,012	\$ 3,756,913	\$ 4,235,925
Board-designated endowment funds	<u>1,208,130</u>	<u>-</u>	<u>-</u>	<u>1,208,130</u>
Total	<u>\$ 1,208,130</u>	<u>\$ 479,012</u>	<u>\$ 3,756,913</u>	<u>\$ 5,444,055</u>

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 requires the Foundation to retain as a fund of perpetual duration. There were no individual endowment funds with such deficiencies as of June 30, 2018. There were no individual endowment funds with such deficiencies as of June 30, 2017.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

NOTE 5 – DONATED FROM COLLEGE DISTRICT

The Foundation's Statements of Activities include an amount Donated from College District totaling \$286,070 and \$281,090 for the years ended June 30, 2018 and 2017, respectively. This consisted of accounting and management support, comprehensive insurance, office space, and other miscellaneous internal services as provided by the District. Also included in these amounts are the administrative service fees described in Note 3.

The valuation of such services and facilities is determined based upon various factors including employee salaries and benefits, office rent, and certain other operating expenses.

NOTE 6 – SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2018 to November 13, 2018, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.