

SIERRA COMMUNITY COLLEGE FOUNDATION
Rocklin, California

FINANCIAL STATEMENTS
June 30, 2016 and 2015

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CONTENTS

EXECUTIVE DIRECTOR'S REPORT (UNAUDITED)	1
ORGANIZATION (UNAUDITED)	5
INDEPENDENT AUDITOR'S REPORT	6
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	8
STATEMENT OF ACTIVITIES – YEAR ENDED JUNE 30, 2016	9
STATEMENT OF ACTIVITIES – YEAR ENDED JUNE 30, 2015	10
STATEMENTS OF CASH FLOWS.....	11
NOTES TO FINANCIAL STATEMENTS	12

SIERRA COMMUNITY COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2016
(Unaudited)

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 work toward educational excellence by identifying donor resources to support a learning environment enriched by diversity, which promotes personal and professional success, leadership, innovation, responsibility, and a sense of community.

The Sierra Community College Foundation 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 the Foundation 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 the Foundation'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 the foundation into three categories: cash flows from operations, investing, and financing activities.

In other ways however, the Foundation statements differ from those of businesses. The revenue stream for the Foundation 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 the Foundation 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 advisor to sustain a strong portfolio in accordance with the Foundation's investment policy. As the economy grows stronger, with the generosity of its donors, and with markets performing better, the Foundation's financial position continues to grow and remains strong.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2016
(Unaudited)

Total net assets increased from \$7,084,218 to \$7,093,941. 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.

- Unrestricted net assets are the amounts that are available to the Foundation for any purpose in support of its mission. This class of net assets decreased by \$253,979 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 decreased by \$115,144 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 \$378,846.

Statement of Activities

The Statement of Activities includes the following categories:

Revenue and 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.* The Foundation generated \$1,643,588 in contributions during 2015-2016, including unrestricted of \$681,366.
- *Annual Events.* The Foundation sponsored the annual Taste of Excellence, Science Museum – Dino Days, Patrons Crab Feed, Broadway at Sierra and Ridley Gallery Holiday Art Sale and Day for Women fundraising events. Total revenues from all fundraising events were \$440,981 (included in the total annual contribution amount listed above).

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

- *Scholarships.* Sierra College Foundation offers more than 356 scholarships annually. This year the Foundation awarded \$320,962 in scholarships which benefited over 300 students.
- *Student Emergency Support.* The Foundation continues to see an increase in requests for student emergency funding. These requests are to 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. The Foundation 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 the interest earned from the endowment and additional funds from donors, we were able to support over 15 students helping them to stay in college.

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SIERRA COMMUNITY COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2016
(Unaudited)

- *Former Foster Youth.* For the eighth consecutive year, with support from the community, the Sierra College Foundation has been able to offer care-packs to emancipated youths attending Sierra College. This year over 150 care-packs were distributed to these students. These care-packs included 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. As a result of our fundraising efforts and community support, we were able to establish a new endowment to help support this at-risk population. Creation of this endowment, coupled with comprehensive support services provided by the College, allowed the College to become one of the only Community Colleges recognized as having a “Guardian Scholar Program”.
- *Program Support.* The Foundation continues its “Program Development” concept. Selected programs will receive funding (seed money) for three consecutive years, to assist the program with strategic planning and fundraising in order to become financially self-sustained. The funding for each program will be reduced in their second and third years with the goal that at the end of the third year, each program should have raised enough funds to establish an endowment for its operation. The Athletics department is the current program under development with a goal to strengthen the main fundraising arm of the Athletics Department, the Wolverine Athletics Association. The Foundation has worked with individual coaches to implement the Friends asking Friends online fundraising tool for each team to aid in raising funds for their tournament fees, travel, uniforms, etc. This campaign has been very successful and has increased the fundraising capability for each team.

In addition, the Foundation was able to secure funding to offer financial support to other groups on campus such as the Spectrum/Rainbow Alliance club supporting LGBTQ students, as well as the La Puente Club, whose mission is to increase the number of Hispanic and Latino students who transfer and enroll in four-year colleges and universities. The Foundation also partnered with local banks and businesses to sponsor business startup and entrepreneurship education and competition for students enrolled in business classes.

- *Veterans Center – Sierra College Veterans Center was selected as the “Hub” for Small Business Development Center (SBDC) for the Veterans in the region.* The Foundation was successful in raising funds to help support the SBDC activities at Sierra College Veterans center. Sierra College Foundation raises funds throughout the year to offer additional support to the Veterans attending Sierra College.
- *Operating Expenses.* These expenses include the compensation for the Executive Director and Foundation staff (2 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

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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 the Foundation's operations.
- Investing activities represent funds used to purchase investments, proceeds from the sale of investments and earnings on the investments held by the Foundation.

Economic Outlook

This has been a very successful fundraising year for the Foundation. A record number of scholarships were awarded to Sierra College students, and we exceeded our fundraising goals on all projects. At its annual goal setting meeting, the Foundation Board of Directors recognized this momentum and agreed to continue its fundraising efforts for projects that will have the highest impact on the lives of Sierra College students. These projects include: Guardian Scholar Program, Innovation, Veterans, Emergency Fund, and Scholarships. The Board of Directors also committed to work with industry partners to identify workforce development and partnership opportunities that would be beneficial to students, the community and the region. In addition, the Board of Directors committed to highlight Sierra College's legacy in the community through activation of the Alumni Association. 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 the Foundation. 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 the Foundation's finances and to demonstrate the Foundation'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, 5000 Rocklin Road, Rocklin, CA, (916) 660-7020.



Sonbol Aliabadi
Executive Director

SIERRA COMMUNITY COLLEGE FOUNDATION
ORGANIZATION
June 30, 2016
(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, 2016 was comprised of the following members:

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Robert Dugan	President	June 2017
Holly Tiche	Past President	June 2018
Kris Mapes	Chief Financial Officer	June 2018
Grace Bowen	Vice President Governance	June 2017
John Crenshaw	Vice President Strategic Planning	June 2018
Allyson Mason-Herr	Secretary	June 2018
Nancy Abreu	Member	June 2017
Dave Breninger	Member	June 2017
Ned Cohen	Member	June 2017
Susan Goto	Member	June 2018
Kaylene Hallberg	Member	June 2017
Julie Hanson	Member	June 2018
Pam Herman	Member	June 2017
Gregg McKenzie	Member	June 2018
Lori Rianda	Member	June 2018
Cari Dawson-Bartley	Sierra College Board of Trustees	
Willy Duncan	District President/Superintendent	
Judy East	Designated NCC Coordinating Council	
Bill Halldin	Sierra College Board of Trustees	
Bob Romness	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, 2016 and 2015, 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.

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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, 2016 and 2015, 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 Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 8, 2016

FINANCIAL STATEMENTS

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 844,022	\$ 689,535
Investments	6,132,897	6,222,694
Receivables	170,509	230,740
Prepaid expenses	<u>-</u>	<u>6,593</u>
Total assets	<u>\$ 7,147,428</u>	<u>\$ 7,149,562</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 53,487</u>	<u>\$ 65,344</u>
NET ASSETS		
Unrestricted	2,166,814	2,420,793
Temporarily restricted	1,537,831	1,652,975
Permanently restricted for endowments	<u>3,389,296</u>	<u>3,010,450</u>
Total net assets	<u>7,093,941</u>	<u>7,084,218</u>
Total liabilities and net assets	<u>\$ 7,147,428</u>	<u>\$ 7,149,562</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support:				
Contributions and grants	\$ 15,564	\$ 433,962	\$ 274,396	\$ 723,922
Investment income	41,093	93,830	-	134,923
Realized (loss) gain on sale of investments	(26,566)	(43,776)	-	(70,342)
Net change in the fair value of investments	(181,574)	(119,732)	-	(301,306)
Donated from the College District	283,955	-	-	283,955
Special events and other revenues	381,847	169,414	84,450	635,711
Total revenues, gains and other support before assets released from restrictions and other transfers	514,319	533,698	358,846	1,406,863
Net assets released from restrictions and other transfers	628,842	(648,842)	20,000	-
Total revenues, gains and other support	1,143,161	(115,144)	378,846	1,406,863
District support and Foundation expenses:				
Scholarships	320,962	-	-	320,962
Academic program support	202,146	-	-	202,146
Grants	135,000	-	-	135,000
Administration	577,957	-	-	577,957
Fundraising	161,075	-	-	161,075
Total District support and Foundation expenses	1,397,140	-	-	1,397,140
Change in net assets	(253,979)	(115,144)	378,846	9,723
Net assets, July 1, 2015	2,420,793	1,652,975	3,010,450	7,084,218
Net assets, June 30, 2016	\$ 2,166,814	\$ 1,537,831	\$ 3,389,296	\$ 7,093,941

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	2015			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Revenues, gains and other support:				
Contributions and grants	\$ 22,184	\$ 438,833	\$ 146,949	\$ 607,966
Investment income	41,574	121,717	-	163,291
Realized (loss) gain on sale of investments	1,355	17,329	-	18,684
Net change in the fair value of investments	(34,791)	(78,531)	-	(113,322)
Donated from the College District	268,115	-	-	268,115
Special events and other revenues	<u>382,221</u>	<u>98,032</u>	<u>79,110</u>	<u>559,363</u>
Total revenues, gains and other support before assets released from restrictions and other transfers	680,658	597,380	226,059	1,504,097
Net assets released from restrictions and other transfers	<u>654,861</u>	<u>(652,711)</u>	<u>(2,150)</u>	<u>-</u>
Total revenues, gains and other support	<u>1,335,519</u>	<u>(55,331)</u>	<u>223,909</u>	<u>1,504,097</u>
District support and Foundation expenses:				
Scholarships	290,099	-	-	290,099
Academic program support	301,493	-	-	301,493
Grants	31,000	-	-	31,000
Administration	496,476	-	-	496,476
Fundraising	<u>118,346</u>	<u>-</u>	<u>-</u>	<u>118,346</u>
Total District support and Foundation expenses	<u>1,237,414</u>	<u>-</u>	<u>-</u>	<u>1,237,414</u>
Change in net assets	<u>98,105</u>	<u>(55,331)</u>	<u>223,909</u>	<u>266,683</u>
Net assets, July 1, 2014	<u>2,322,688</u>	<u>1,708,306</u>	<u>2,786,541</u>	<u>6,817,535</u>
Net assets, June 30, 2015	<u>\$ 2,420,793</u>	<u>\$ 1,652,975</u>	<u>\$ 3,010,450</u>	<u>\$ 7,084,218</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Donations received from contributions and other revenues	\$ 1,710,412	\$ 1,394,465
Contributions and other revenues restricted for long term investment	(358,846)	(226,059)
Payments to suppliers for goods and services	(647,740)	(586,757)
Payments to/on behalf of employees	(440,295)	(353,543)
Payments to/on behalf of students	(320,962)	(290,099)
Other receipts and payments	<u>189,819</u>	<u>217,891</u>
Net cash provided by operating activities	<u>132,388</u>	<u>155,898</u>
Cash flows from investing activities:		
Purchase of investments	(830,128)	(596,578)
Investment management fees	(54,896)	(54,600)
Proceeds from sales of investments	<u>548,277</u>	<u>404,590</u>
Net cash used in investing activities	<u>(336,747)</u>	<u>(246,588)</u>
Cash flows provided by financing activities:		
Contributions and other revenues restricted for long term investments	<u>358,846</u>	<u>226,059</u>
Change in cash and cash equivalents	154,487	135,369
Cash and cash equivalents – beginning of year	<u>689,535</u>	<u>554,166</u>
Cash and cash equivalents – end of year	<u>\$ 844,022</u>	<u>\$ 689,535</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 9,723	\$ 266,683
Realized loss (gain) on sales of investments	70,342	(18,684)
Investment management fees	54,896	54,600
Net change in the fair value of investments	301,306	113,322
Contributions restricted for long term investment	(358,846)	(226,059)
Changes in assets and liabilities:		
Receivables	60,231	(34,386)
Prepaid expenses	6,593	(6,593)
Accounts payable and accrued expenses	<u>(11,857)</u>	<u>7,015</u>
Net cash provided by operating activities	<u>\$ 132,388</u>	<u>\$ 155,898</u>

See accompanying notes to financial statements.

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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, 2016 or 2015.

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SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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, 2016 and 2015 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 30 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, 2016 and 2015

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, 2016, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$844,022 and the bank balance was \$859,341. The bank balance amount insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation was \$801,746. At June 30, 2015, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$689,535 and the bank balance was \$699,172. The bank balance amount insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation was \$699,172.

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, 2016 and 2015, 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, 2016 and 2015, 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.

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SIERRA COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016 and 2015

NOTE 2 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 5,421,008	\$ 5,460,762
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher)	620,394	670,437
Equity security	<u>91,495</u>	<u>91,495</u>
	<u>\$ 6,132,897</u>	<u>\$ 6,222,694</u>

Included in total investments at June 30, 2016 and 2015 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, 2016, the Foundation investment in the pool consisted of 6% cash and short term investments, 30% fixed income securities, and 64% equity securities. At June 30, 2015, the Foundation investment in the pool consisted of 6% cash and short term investments, 23% fixed income securities, and 71% 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, 2016 and 2015

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>	2016			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Mutual funds	\$ 5,421,008	\$ 5,421,008	\$ -	\$ -
Investment in FCCC/Osher	620,394	-	-	620,394
Total investment securities	\$ 6,041,402	\$ 5,421,008	\$ -	\$ 620,394

<u>Description</u>	2015			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Mutual funds	\$ 5,460,762	\$ 5,460,762	\$ -	\$ -
Investment in FCCC/Osher	670,437	-	-	670,437
Total investment securities	\$ 6,131,199	\$ 5,460,762	\$ -	\$ 670,437

As of June 30, 2016 and 2015, the Level 3 instruments listed in the fair value hierarchy table above use the following valuation techniques and inputs:

Valuation approach: 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, 2016 and 2015. 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.

Pursuant to U.S. GAAP, management has considered redemption restrictions to assess classification of fair value inputs. For alternative investments redeemable at NAV with redemption periods of 90 days or less, the assets are considered a Level 2 fair value measurement. Investments that are redeemable in greater than 90 days are considered a Level 3 fair value measurement due to the inability to redeem the asset at NAV in the near term (Level 3 inputs). The FCCC/Osher pooled investment funds are not available for liquidation. The FCCC distributes funds from the FCCC/Osher investment funds to the Foundation twice a year for scholarships.

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.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016 and 2015

NOTE 2 – INVESTMENTS (Continued)

There were no changes in the valuation techniques used during the years ended June 30, 2016 and 2015. There were no transfers of assets between the fair value levels for the years ended June 30, 2016 and 2015.

The following table presents changes in Level 3 instruments measured on a recurring basis for the years ended June 30, 2016 and 2015. Net gains/losses are recorded in the statement of activities.

California Community Colleges Scholarship Endowment Fund (CCCSE):

Balance, July 1, 2014	\$	702,533
Change in fair value		(26,278)
Realized gain		15,557
Investment income		17,721
Distributions		(34,000)
Management fees		(2,335)
Other		<u>(2,761)</u>
 Balance, June 30, 2015	 \$	 <u>670,437</u>
 Balance, July 1, 2015	 \$	 670,437
Change in fair value		(32,899)
Realized gain		4,152
Investment income		13,498
Distributions		(37,333)
Management fees		(2,249)
Other		<u>4,788</u>
 Balance, June 30, 2016	 \$	 <u>620,394</u>

The amount of total gains or losses for the period included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held as of June 30, 2016 and 2015 were \$32,899 and \$26,278, respectively.

NOTE 3 – ADMINISTRATIVE SERVICE FEES

The Foundation earned revenues of \$145,000 and \$145,000 during the years ended June 30, 2016 and 2015, respectively, 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 \$1,236,189 and \$1,306,777 are included in unrestricted net assets as of June 30, 2016 and 2015, respectively.

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 – NET ASSETS (Continued)

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

	<u>2016</u>	<u>2015</u>
Academic program	\$ 731,049	\$ 624,600
Scholarships and awards	716,913	954,375
Fundraising	<u>89,869</u>	<u>74,000</u>
	<u>\$ 1,537,831</u>	<u>\$ 1,652,975</u>

Permanently restricted for endowment – At June 30 2016 and 2015, the Foundation held \$3,389,296 and \$3,010,450, 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, 2016, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,305,620	\$ 489,034	\$ 3,010,450	\$ 4,805,104
Change in fair value of investments and investment income	(85,290)	(114,903)	-	(200,193)
Contributions	-	51,110	358,846	409,956
Other transfer	(4,194)	-	20,000	15,806
Appropriation of endowment assets for expenditure	<u>(3,000)</u>	<u>(185,449)</u>	-	<u>(188,449)</u>
Endowment net assets, end of year	<u>\$ 1,213,136</u>	<u>\$ 239,792</u>	<u>\$ 3,389,296</u>	<u>\$ 4,842,224</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2016, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (23,053)	\$ 239,792	\$ 3,389,296	\$ 3,606,035
Board-designated endowment funds	<u>1,236,189</u>	<u>-</u>	<u>-</u>	<u>1,236,189</u>
Total	<u>\$ 1,213,136</u>	<u>\$ 239,792</u>	<u>\$ 3,389,296</u>	<u>\$ 4,842,224</u>

(Continued)

SIERRA COMMUNITY COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 4 – NET ASSETS (Continued)

Changes in endowment net assets for the fiscal year ended June 30, 2015, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,300,124	\$ 639,318	\$ 2,786,541	\$ 4,725,983
Change in fair value of investments and investment income	5,496	22,415	-	27,911
Contributions	-	3,150	226,059	229,209
Other transfer	-	2,150	(2,150)	-
Appropriation of endowment assets for expenditure	-	(177,998)	-	(177,998)
Endowment net assets, end of year	<u>\$ 1,305,620</u>	<u>\$ 489,035</u>	<u>\$ 3,010,450</u>	<u>\$ 4,805,105</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2015, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,157)	\$ 489,035	\$ 3,010,450	\$ 3,498,328
Board-designated endowment funds	<u>1,306,777</u>	<u>-</u>	<u>-</u>	<u>1,306,777</u>
Total	<u>\$ 1,305,620</u>	<u>\$ 489,035</u>	<u>\$ 3,010,450</u>	<u>\$ 4,805,105</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 four individual endowment funds with such deficiencies as of June 30, 2016. There were two individual endowment funds with such deficiencies as of June 30, 2015.

NOTE 5 – DONATED FROM COLLEGE DISTRICT

The Foundation's Statements of Activities include an amount Donated from College District totaling \$283,955 and \$268,115 for the years ended June 30, 2016 and 2015, 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, 2016 to November 8, 2016, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.
