

SIERRA COLLEGE FOUNDATION

FINANCIAL STATEMENTS

June 30, 2020 and 2019

SIERRA COLLEGE FOUNDATION
Rocklin, California

FINANCIAL STATEMENTS
June 30, 2020 and 2019

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, 2020	9
STATEMENT OF ACTIVITIES – YEAR ENDED JUNE 30, 2019	10
STATEMENTS OF CASH FLOWS.....	11
NOTES TO FINANCIAL STATEMENTS	12

SIERRA COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2019
(Unaudited)

The Sierra 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 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 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 two 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 its donor base. Because the net assets may not be immediately available for use, our financial statements divide them into two classes: net assets without donor restrictions (unrestricted) and net assets with donor restrictions (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.

SIERRA COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2019
(Unaudited)

Total net assets increased from \$9,713,920 to \$10,740,139. 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:

- *Net assets without donor restriction* are the amounts that are available to SCF for any purpose in support of its mission. This class of net assets increased by \$147,563 over the prior year.
- *Net assets with donor restriction* are restricted by the donor and can only be spent in accordance with the donor's specified criteria. Permanently endowed funds are included in this classification. This class of net assets increased by \$878,656 over the prior year.

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 \$2,271,133 in contributions during 2019-2020, including unrestricted funds of \$675,458.
- *Annual Events.* SCF sponsored annual fundraising events such as Taste of Excellence, Science Museum's Dinosaur Day, Patrons Crab Feed, Ridley Gallery Holiday Art Sale, drama productions, golf tournament, online athletic fundraisers, and Day for Women. Total revenues from all fundraising events were \$282,987 (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 eleventh consecutive year, and with tremendous support from the community, SCF provided financial support and care-packs to emancipated youth 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** – Sierra College has developed a culture of innovation and experimentation with a goal of improving the lives of students, families and our community. SCF raises funds to support these innovative programs.

SIERRA COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2019
(Unaudited)

- **Veterans** – Sierra College serves over 800 veterans each year. Sierra College Foundation raises funds throughout the year to offer financial support to Veterans attending Sierra College, in the form of 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 continues to raise funds to support this ongoing need.
- **Scholarships** – SCF offers 356 scholarships annually. This year SCF awarded \$363,230 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. This year, the Foundation has committed to align itself with the College's mission of student success and eliminating the equity gap.

Student Assistance Fund Endowment (SAFE) - One of the major barriers to achieving student success and closing the equity gap is lack of financial resources. While tuition may be free, the other costs of living remain and pose a challenge to students' educational success. Last year, in response to this need, SCF launched a five-year capital campaign to raise five million dollars to establish an endowment to provide financial support to the most financially challenged students. SCF was able to raise over \$600,000 for this endowment during this fiscal year.

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.

Recognizing the extent of food insecurity in our community and among our students, SCF continues to raise funds to support the Food Pantry. Last year over 500 new students used the food pantry and SCF raised funds to offer over 5,000 hot meals.

Operating Expenses include 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 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.

SIERRA COLLEGE FOUNDATION
EXECUTIVE DIRECTOR'S REPORT

June 30, 2019
(Unaudited)

- 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 was a very successful fundraising year for SCF until the Pandemic hit! As we prepared to shelter in place, we realized that our students' lives would be impacted profoundly. We quickly pivoted our fundraising efforts to offer much-needed emergency grants to our students. As classes were moved online, we raised funds to offer technology equipment and internet access to those who did not have them. As our food pantry had to shut down, we raised funds to offer bags of food and gift cards in weekly drive throughs. At its annual goal setting meeting, recognizing the extend of the pandemic, SCF's Board of Directors agreed to continue its fundraising efforts to support the students impacted by Covid-19. We will continue to raise funds for food, housing, technology, and other basic needs. We will also continue to raise funds 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. SCF's goal is to address students' financial life issues so they are successful in their education.

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 College Foundation Executive Director, Sonbol Aliabadi, 5100 Sierra College Blvd., Rocklin, CA, (916) 660-7020.



Sonbol Aliabadi
Executive Director

SIERRA COLLEGE FOUNDATION
 ORGANIZATION
 June 30, 2020
 (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, 2020 was comprised of the following members:

<u>Members</u>	<u>Office</u>	<u>Term Expires</u>
Robert Dugan	President	June 2022
Holly Tiche	Past President	June 2020
Kris Mapes	Chief Financial Officer	June 2020
Grace Bowen	Vice President Governance	June 2022
John Crenshaw	Vice President Strategic Planning	June 2020
Peggy Murray	Secretary	June 2020
Nancy Abreu	Member	June 2022
Dave Breninger	Member	June 2022
Ned Cohen	Member	June 2022
Susan Goto	Member	June 2020
Brent Haapanen	Member	June 2022
Julie Hanson	Member	June 2020
Amanda Merz	Member	June 2022
Ed Bonner	Member	June 2023
Tiffany Jones	Member	June 2023
Saquib Kheiri	Member	June 2023
Keetha Mills	Member	June 2023
Constantine Perakis	Member	June 2023
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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

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

Sacramento, California
February 1, 2021

FINANCIAL STATEMENTS

SIERRA COLLEGE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,768,073	\$ 1,277,262
Investments	9,070,828	8,606,266
Prepaid expenses	10,000	10,000
Receivables	<u>46,359</u>	<u>73,446</u>
Total assets	<u>\$ 10,895,260</u>	<u>\$ 9,966,974</u>
 LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 155,121</u>	<u>\$ 253,054</u>
 NET ASSETS		
Net assets without donor restrictions	2,977,894	2,830,331
Net assets with donor restrictions	<u>7,762,245</u>	<u>6,883,589</u>
Total net assets	<u>10,740,139</u>	<u>9,713,920</u>
Total liabilities and net assets	<u>\$ 10,895,260</u>	<u>\$ 9,966,974</u>

See accompanying notes to financial statements.

SIERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions and grants	\$ 49,339	\$ 1,503,482	\$ 1,552,821
Investment income	68,757	127,765	196,522
Realized (loss) gain on sale of investments	(10,338)	3,141	(7,197)
Net unrealized loss on investments	(43,667)	(32,074)	(75,741)
Donated from the College District	305,991	-	305,991
Special events and other revenues	<u>320,128</u>	<u>92,193</u>	<u>412,321</u>
 Total revenues, gains and other support before assets released from restrictions and other transfers	 690,210	 1,694,507	 2,384,717
 Net assets released from restrictions and other transfers	 <u>815,851</u>	 <u>(815,851)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>1,506,061</u>	 <u>878,656</u>	 <u>2,384,717</u>
 District support and Foundation expenses:			
Scholarships	363,230	-	363,230
Academic program support	423,108	-	423,108
Administration	294,507	-	294,507
Fundraising	<u>277,653</u>	<u>-</u>	<u>277,653</u>
Total District support and Foundation expenses	<u>1,358,498</u>	<u>-</u>	<u>1,358,498</u>
 Change in net assets	 <u>147,563</u>	 <u>878,656</u>	 <u>1,026,219</u>
 Net assets, July 1, 2019	 <u>2,830,331</u>	 <u>6,883,589</u>	 <u>9,713,920</u>
 Net assets, June 30, 2020	 <u>\$ 2,977,894</u>	 <u>\$ 7,762,245</u>	 <u>\$ 10,740,139</u>

See accompanying notes to financial statements.

SIERRA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions and grants	\$ 92,921	\$ 1,206,379	\$ 1,299,300
Investment income	73,126	156,940	230,066
Realized gain on sale of investments	6,531	74,752	81,283
Net unrealized gain on investments	92,559	89,281	181,840
Donated from the College District	291,152	-	291,152
Special events and other revenues	<u>403,485</u>	<u>112,536</u>	<u>516,021</u>
 Total revenues, gains and other support before assets released from restrictions and other transfers	 959,774	 1,639,888	 2,599,662
 Net assets released from restrictions and other transfers	 <u>804,235</u>	 <u>(804,235)</u>	 <u>-</u>
 Total revenues, gains and other support	 <u>1,764,009</u>	 <u>835,653</u>	 <u>2,599,662</u>
 District support and Foundation expenses:			
Scholarships	318,355	-	318,355
Academic program support	640,892	-	640,892
Administration	284,801	-	284,801
Fundraising	<u>389,850</u>	<u>-</u>	<u>389,850</u>
Total District support and Foundation expenses	<u>1,633,178</u>	<u>-</u>	<u>1,633,178</u>
 Change in net assets	 <u>130,831</u>	 <u>835,653</u>	 <u>966,484</u>
 Net assets, July 1, 2018	 <u>2,699,500</u>	 <u>6,047,936</u>	 <u>8,747,436</u>
 Net assets, June 30, 2019	 <u>\$ 2,830,331</u>	 <u>\$ 6,883,589</u>	 <u>\$ 9,713,920</u>

See accompanying notes to financial statements.

SIERRA COLLEGE FOUNDATION
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Donations received from contributions and other revenues	\$ 2,298,220	\$ 2,113,178
Contributions and other revenues with donor restrictions for long term investment	(1,000,640)	(665,480)
Payments to suppliers for goods and services	(592,512)	(654,823)
Payments to/on behalf of employees	(500,689)	(524,386)
Payments to/on behalf of students	(363,230)	(318,355)
Other receipts and payments	<u>269,887</u>	<u>296,704</u>
Net cash provided by operating activities	<u>111,036</u>	<u>246,838</u>
Cash flows from investing activities:		
Purchase of investments	(2,577,949)	(3,375,739)
Investment management fees	(73,365)	(66,638)
Proceeds from sales of investments	<u>2,030,449</u>	<u>2,773,876</u>
Net cash used in investing activities	<u>(620,865)</u>	<u>(668,501)</u>
Cash flows provided by financing activities:		
Contributions and other revenues restricted for long term investments	<u>1,000,640</u>	<u>665,480</u>
Change in cash and cash equivalents	490,811	243,817
Cash and cash equivalents – beginning of year	<u>1,277,262</u>	<u>1,033,445</u>
Cash and cash equivalents – end of year	<u>\$ 1,768,073</u>	<u>\$ 1,277,262</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,026,219	\$ 966,484
Realized loss (gain) on sales of investments	7,197	(81,283)
Investment management fees	73,365	66,638
Net change in the fair value of investments	75,741	(181,840)
Contributions with donor restrictions for long term investment	(1,000,640)	(665,480)
Changes in assets and liabilities:		
Receivables	27,087	6,705
Accounts payable and accrued expenses	<u>(97,933)</u>	<u>135,614</u>
Net cash provided by operating activities	<u>\$ 111,036</u>	<u>\$ 246,838</u>

See accompanying notes to financial statements.

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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:

- *Net Assets Without Donor Restrictions* – Net assets not subject to donor-imposed stipulations. As of June 30, 2020 and 2019, \$1,169,813 and \$1,177,204, respectively, were designated by the Board of the Foundation for a Board-designated endowment.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. 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, 2020 or 2019.

(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, 2020 and 2019 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 37 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 retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) 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 by the Foundation in a manner consistent with the standard of 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 net assets with donor restrictions 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 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 COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

District Support: District support is accrued when awarded to 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, 2020, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$1,768,073 and the bank balance was \$1,781,413. The bank balance amount insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation was \$1,090,577. At June 30, 2019, the carrying amount of the Foundation's cash on hand and in banks and cash equivalents was \$1,277,262 and the bank balance was \$1,302,534. The bank balance amount insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation was \$972,978.

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, 2020 and 2019, 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, 2020 and 2019, 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.

Reclassifications: Certain reclassification to the summarized comparative information have been made to conform to the current year presentation. The reclassifications have no effect on the previously reported net assets or change in net assets.

(Continued)

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance: In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The Foundation applied the amendments in this ASU for the year ended June 30, 2020 using a full retrospective method of application. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

NOTE 2 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 8,312,814	\$ 7,809,359
Investment in Foundation for California Community Colleges Scholarship Endowment (FCCC/Osher)	666,519	705,412
Equity security	<u>91,495</u>	<u>91,495</u>
	<u>\$ 9,070,828</u>	<u>\$ 8,606,266</u>

Included in total investments at June 30, 2020 and 2019 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, 2020, the Foundation investment in the pool consisted of 3% cash and short-term investments, 31% fixed income securities, and 66% equity securities. At June 30, 2019, the Foundation investment in the pool consisted of 2% cash and short-term investments, 30% fixed income securities, and 68% 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.

(Continued)

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – INVESTMENTS (Continued)

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 1 investments include mutual funds, corporate stocks, and real estate investment trusts.

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 2 investments include corporate bonds and U.S. Treasury notes.

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. Level 3 investments include the investment in FCCC/Osher.

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

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities:				
Mutual funds - equities	\$ 2,982,355	\$ -	\$ -	\$ 2,982,355
Mutual funds - fixed income	1,311,290	-	-	1,311,290
Corporate stocks	2,171,273	-	-	2,171,273
Real estate investment trusts	520,254	-	-	520,254
Bonds - corporate	-	1,291,371	-	1,291,371
U.S. Treasury notes	-	36,271	-	36,271
Investment in FCCC/Osher	-	-	666,519	666,519
Total investment securities	<u>\$ 6,985,172</u>	<u>\$ 1,327,642</u>	<u>\$ 666,519</u>	<u>\$ 8,979,333</u>
<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities:				
Mutual funds - equities	\$ 3,084,726	\$ -	\$ -	\$ 3,084,726
Mutual funds - fixed income	2,029,271	-	-	2,029,271
Corporate stocks	2,059,764	-	-	2,059,764
Real estate investment trusts	635,598	-	-	635,598
Investment in FCCC/Osher	-	-	705,412	705,412
Total investment securities	<u>\$ 7,809,359</u>	<u>\$ -</u>	<u>\$ 705,412</u>	<u>\$ 8,514,771</u>

(Continued)

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – INVESTMENTS (Continued)

Investment in FCCC/Osher – The fair value of the funds held by FCCC is based upon the Foundation's proportionate share of the FCCC/Osher pooled investment portfolio (Level 3 inputs). 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, 2020 and 2019. There were no transfers of assets between the fair value levels for the years ended June 30, 2020 and 2019.

NOTE 3 – ADMINISTRATIVE SERVICE FEES

The Foundation earned revenues of \$145,000 during the years ended June 30, 2020 and 2019, included within revenue donated from the District, 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 \$1,169,813 and \$1,177,204 are included in net assets without donor restrictions as of June 30, 2020 and 2019, respectively.

Net assets with donor restriction – A summary of net assets with donor restrictions and the related donor restrictions are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Academic program	\$ 956,787	\$ 919,908
Scholarships and awards	511,844	505,102
Fundraising	87,281	94,156
Endowment ⁽¹⁾	<u>6,206,333</u>	<u>5,364,423</u>
	<u>\$ 7,762,245</u>	<u>\$ 6,883,589</u>

⁽¹⁾ Includes cumulative endowment earnings of \$696,368 and \$726,110 for the years ended June 30, 2020 and 2019, respectively.

(Continued)

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4 – NET ASSETS (Continued)

Restricted for endowment – At June 30, 2020 and 2019, the Foundation held \$6,206,333 and \$5,364,423, respectively, in endowment funds for scholarships and awards. The investment income earned on these net assets with donor restrictions are generally restricted as to purpose and is held in net assets with donor restriction 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, 2020, consisted of the following:

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,177,204	\$ 5,364,423	\$ 6,541,627
Change in fair value of investments and investment income	(4,391)	24,244	19,853
Contributions	-	1,000,640	1,000,640
Other transfer	-	34,284	34,284
Appropriation of endowment assets for expenditure	<u>(3,000)</u>	<u>(217,258)</u>	<u>(220,258)</u>
Endowment net assets, end of year	<u>\$ 1,169,813</u>	<u>\$ 6,206,333</u>	<u>\$ 7,376,146</u>

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2020, consisted of the following:

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,206,333	\$ 6,206,333
Board-designated endowment funds	<u>1,169,813</u>	<u>-</u>	<u>1,169,813</u>
Total	<u>\$ 1,169,813</u>	<u>\$ 6,206,333</u>	<u>\$ 7,376,146</u>

Changes in endowment net assets for the fiscal year ended June 30, 2019, consisted of the following:

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,262,735	\$ 4,577,514	\$ 5,840,249
Change in fair value of investments and investment income	48,126	244,417	292,543
Contributions	-	665,480	665,480
Other transfer	-	81,863	81,863
Appropriation of endowment assets for expenditure	<u>(133,657)</u>	<u>(204,851)</u>	<u>(338,508)</u>
Endowment net assets, end of year	<u>\$ 1,177,204</u>	<u>\$ 5,364,423</u>	<u>\$ 6,541,627</u>

(Continued)

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4 – NET ASSETS (Continued)

Endowment net asset composition by type of fund for the fiscal year ended June 30, 2019, consisted of the following:

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 5,364,423	\$ 5,364,423
Board-designated endowment funds	<u>1,177,204</u>	<u>-</u>	<u>1,177,204</u>
Total	<u>\$ 1,177,204</u>	<u>\$ 5,364,423</u>	<u>\$ 6,541,627</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, 2020 and 2019.

NOTE 5 – DONATED FROM COLLEGE DISTRICT

The Foundation's Statements of Activities include an amount Donated from College District totaling \$305,991 and \$291,152 for the years ended June 30, 2020 and 2019, 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 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 1,768,073	\$ 1,277,262
Investments	9,070,828	8,606,266
Receivables	<u>46,359</u>	<u>73,446</u>
Subtotal financial assets	10,885,260	9,956,974
Less those unavailable for general expenditures		
Endowment assets invested	(6,206,333)	(5,364,423)
Board-designated endowments	<u>(1,169,813)</u>	<u>(1,177,204)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 3,509,114</u>	<u>\$ 3,415,347</u>

(Continued)

SIERRA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – LIQUIDITY AND AVAILABILITY (Continued)

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Fixed income investments have both short-term and longer term maturities. However, the investments can be liquidated to meet general expenditures as needed. The receivables are subject to implied time restrictions but are expected to be collected within one year.

The Foundation has donor restricted net assets of \$2,252,280 as of June 30, 2020, limited to specified purposes that management asserts will qualify as general expenditures within one year in the normal course of operations. Therefore, these purpose restricted assets are considered available. The Foundation's endowed assets held in perpetuity are considered not available for general expenditures over the next year except for appropriated amounts released for education.

NOTE 7 – EXPENSES BY BOTH NATURE AND FUNCTION

Expenses are presented below by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification.

2020	Program Activities		Support Activities		Total Expense
	Scholarships	Academic program support	Administration	Fundraising	
Salaries and benefits	\$ -	\$ 111,400	\$ 220,089	\$ 175,038	\$ 506,527
Services, supplies and other operating expenses	-	311,708	74,418	-	386,126
Events	-	-	-	102,614	102,614
Scholarships	363,230	-	-	-	363,230
Total expense	\$ 363,230	\$ 423,108	\$ 294,508	\$ 277,653	\$ 1,358,498
2019	Program Activities		Support Activities		Total Expense
	Scholarships	Academic program support	Administration	Fundraising	
Salaries and benefits	\$ -	\$ 109,954	\$ 202,050	\$ 209,247	\$ 521,251
Services, supplies and other operating expenses	-	530,938	82,031	-	612,969
Events	-	-	-	180,603	180,603
Scholarships	318,355	-	-	-	318,355
Total expense	\$ 318,355	\$ 640,892	\$ 284,081	\$ 389,850	\$ 1,633,178

NOTE 8 – SUBSEQUENT EVENTS

The Foundation evaluated all events or transactions that occurred from June 30, 2020 to February 1, 2021, the date the financial statements were available to be issued. No subsequent events occurred requiring accrual or disclosure.

(Continued)

NOTE 9 – CORONAVIRUS IMPLICATIONS

In December 2019, a novel strain of coronavirus surfaced and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The extent to which the coronavirus may continue to impact business activity or investment results depends on future developments, which continue to be highly uncertain and cannot be predicted.