

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017  
WITH COMPARATIVE TOTALS FOR 2016**

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
State Center Community College Foundation  
Fresno, California

We have audited the accompanying financial statements of State Center Community College Foundation (the Foundation) as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Center Community College Foundation as of June 30, 2017, and the changes in its nets assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the State Center Community College Foundation's 2016 financial statements, and our report dated December 20, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Moore Grider & Company*

Fresno, California  
November 6, 2017

STATE CENTER COMMUNITY COLLEGE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2017	2016
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 0	\$ 465,790	\$ 0	\$ 465,790	\$ 403,108
Receivables	0	0	0	0	342,948
Pledges receivable, current portion (Note 2)	0	281,224	0	281,224	278,393
Due from (to) other funds	(259,236)	739,115	(479,879)	0	0
Short-term investments (Note 3)	0	760,689	0	760,689	1,005,516
<b>TOTAL CURRENT ASSETS</b>	(259,236)	2,246,818	(479,879)	1,507,703	2,029,965
<b>PLEDGES RECEIVABLE</b> , net of current portion reflected above (Note 2)	0	6,094	0	6,094	268,349
<b>LONG-TERM INVESTMENTS</b> (Note 3)	4,476,898	4,841,230	7,623,671	16,941,799	14,597,406
<b>TOTAL ASSETS</b>	<b>4,217,662</b>	<b>7,094,142</b>	<b>7,143,792</b>	<b>18,455,596</b>	<b>16,895,720</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	44,770	1,425	0	46,195	174,195
Deferred revenue	6,000	26,500	0	32,500	30,000
<b>TOTAL CURRENT LIABILITIES</b>	50,770	27,925	0	78,695	204,195
<b>NET ASSETS</b>					
Unrestricted (Note 6)	4,166,892	0	0	4,166,892	3,949,948
Temporarily restricted (Note 7)	0	7,066,217	0	7,066,217	5,972,297
Permanently restricted (Note 7)	0	0	7,143,792	7,143,792	6,769,280
<b>TOTAL NET ASSETS</b>	4,166,892	7,066,217	7,143,792	18,376,901	16,691,525
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,217,662</b>	<b>\$ 7,094,142</b>	<b>\$ 7,143,792</b>	<b>\$ 18,455,596</b>	<b>\$ 16,895,720</b>

See Accompanying Notes to Financial Statements

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTALS	
				2017	2016
<b>PUBLIC SUPPORT AND REVENUES</b>					
Contributions	\$ 201,983	\$ 1,119,318	\$ 416,813	\$ 1,738,114	\$ 1,908,977
Donated materials	2,555	35,818	0	38,373	42,320
Interest and dividends (Note 3)	71,205	81,286	121,440	273,931	248,426
Realized gain on sale of investments (Note 3)	94,218	7,307	343,181	444,706	766,569
Unrealized gain (loss) on investments (Note 3)	283,803	290,064	106,097	679,964	(746,839)
Net assets released from restrictions:					
Satisfaction of program restrictions (Note 7)	1,052,892	(1,052,892)	0	0	0
Income reallocation (Note 7)	<u>0</u>	<u>613,019</u>	<u>(613,019)</u>	<u>0</u>	<u>0</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>1,706,656</u>	<u>1,093,920</u>	<u>374,512</u>	<u>3,175,088</u>	<u>2,219,453</u>
<b>EXPENSES</b>					
Program services:					
Educational activities	827,216	0	0	827,216	1,083,567
Scholarships and awards	468,091	0	0	468,091	486,242
	<u>1,295,307</u>	<u>0</u>	<u>0</u>	<u>1,295,307</u>	<u>1,569,809</u>
Management and general	100,405	0	0	100,405	44,063
Fundraising	94,000	0	0	94,000	87,439
<b>TOTAL EXPENSES</b>	<u>1,489,712</u>	<u>0</u>	<u>0</u>	<u>1,489,712</u>	<u>1,701,311</u>
<b>NET INCREASE IN NET ASSETS</b>	216,944	1,093,920	374,512	1,685,376	518,142
<b>NET ASSETS, beginning of year</b>	<u>3,949,948</u>	<u>5,972,297</u>	<u>6,769,280</u>	<u>16,691,525</u>	<u>16,173,383</u>
<b>NET ASSETS, end of year</b>	<u><b>\$ 4,166,892</b></u>	<u><b>\$ 7,066,217</b></u>	<u><b>\$ 7,143,792</b></u>	<u><b>\$ 18,376,901</b></u>	<u><b>\$ 16,691,525</b></u>

See Accompanying Notes to Financial Statements

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	<u>Program Services</u>				<u>TOTALS</u>	
	<u>Educational Activities</u>	<u>Scholarships and Awards</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2017</u>	<u>2016</u>
Building and equipment	\$ 19,645	\$ 0	\$ 0	\$ 0	\$ 19,645	\$ 25,873
Conference, travel and meals	69,988	0	0	0	69,988	120,216
Contract labor	229,045	0	0	0	229,045	339,188
Fundraising supplies	0	0	0	88,422	88,422	84,991
Investment management fees	0	0	77,119	0	77,119	70,112
Other	61,642	0	0	0	61,642	203,221
Printing and binding	27,277	0	0	0	27,277	34,175
Salaries	5,578	0	100,405	5,578	111,561	48,959
Scholarships	0	468,091	0	0	468,091	486,242
Supplies and material	414,041	0	0	0	414,041	358,446
<b>TOTAL EXPENSES BY FUNCTION</b>	<b>827,216</b>	<b>468,091</b>	<b>177,524</b>	<b>94,000</b>	<b>1,566,831</b>	<b>1,771,423</b>
<b>LESS EXPENSES INCLUDED WITH REVENUE AND SUPPORT:</b>						
Investment management fees	0	0	(77,119)	0	(77,119)	(70,112)
<b>NET EXPENSES</b>	<b><u>\$ 827,216</u></b>	<b><u>\$ 468,091</u></b>	<b><u>\$ 100,405</u></b>	<b><u>\$ 94,000</u></b>	<b><u>\$ 1,489,712</u></b>	<b><u>\$ 1,701,311</u></b>

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,685,376	\$ 518,142
Adjustments to reconcile increase in net assets to net cash provided from operating activities:		
Contributions restricted for long-term investment - endowment	(416,813)	(529,974)
Realized gain on sale of investments	(444,706)	(766,569)
Unrealized (gain) loss on investments	(679,964)	746,839
Changes in:		
Receivables	342,948	(342,948)
Pledges receivable	259,424	168,629
Accounts payable and accrued liabilities	(128,000)	95,807
Deferred revenue	2,500	28,000
	<u>620,765</u>	<u>(82,074)</u>
<b>NET CASH PROVIDED FROM (USED BY) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(8,444,404)	(22,095,339)
Proceeds from sale of investments	7,469,508	21,586,297
	<u>(974,896)</u>	<u>(509,042)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term investments - endowment	416,813	529,974
	<u>416,813</u>	<u>529,974</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	62,682	(61,142)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>403,108</u>	<u>464,250</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 465,790</u>	<u>\$ 403,108</u>

See Accompanying Notes to Financial Statements



# STATE CENTER COMMUNITY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

### NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State Center Community College Foundation is incorporated as a nonprofit public benefit auxiliary corporation to provide financial support for scholarships, instructional programs, educational support, athletics and student activities at the campuses of the State Center Community College District.

The following are the significant accounting policies of the organization:

**Method of accounting** – The financial statements are prepared using the accrual basis of accounting, in which support and revenue are recognized when received or earned and expenses are recognized when incurred.

**Tax status** – The Foundation is a nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation has been classified as an organization that is not a private foundation and has been designated as a “publicly supported” organization. Contributions to the Foundation are deductible under Section 170(c)(2).

Income tax returns are filed in U.S. federal and state of California jurisdictions. Tax 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. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2017 and 2016, interest and penalties totaled \$0.

**Cash and cash equivalents** – For purposes of the statements of cash flows, the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Pledges Receivable** – Unconditional pledges receivable from donors that are expected to be collected within one year are recorded at net realizable value. Long-term pledges receivable that are expected to be collected in a period beyond one year are recorded at a discount using the present value of their estimated future cash flows. The discounts on long-term pledges receivable are computed using risk-free interest rates applicable to the period in which the pledges to give are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At both June 30, 2017 and 2016, the organization considers all amounts to be fully collectible; therefore, no allowance for doubtful accounts is reflected.

#### **Investments:**

Permanently restricted – Each of the four endowments within the group receives separate returns based on its invested portfolio and records the return on its investments in various revenue accounts as reflected in the accompanying statement of activities.

Temporarily restricted and unrestricted – Each activity participating in the investment pool receives its pro rata share of the overall return and records the return on its investments in various revenue accounts as reflected in the accompanying statement of activities.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 1: **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

**Investments:** (continued)

The investment portfolios of all the funds are carried at fair value at June 30, 2017 and 2016. All investment income is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on temporarily restricted and unrestricted investments are credited to unrestricted net assets, unless otherwise designated by the donor.

**Accounting for contributions** – All contributions received are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from those investments is expended for the purposes specified by the donors.

**Donated materials** – The organization receives various donated materials. The estimated fair value of the donation is recorded as support and expense in the period received.

**Accounting estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and 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. Actual results could differ from those estimates.

**Comparative financial information** – The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 2: **PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
<b>Current portion</b>		
Due in one year or less	\$ 281,224	\$ 278,393
<b>Non-current portion</b>		
Due between one and two years	6,398	281,766
Less: Discount to reflect pledges receivable at present value	<u>(304)</u>	<u>(13,417)</u>
	<u>6,094</u>	<u>268,349</u>
	<b><u>\$ 287,318</u></b>	<b><u>\$ 546,742</u></b>

The discount rate used to calculate the present value at June 30, 2017 is 5%.

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 3: INVESTMENTS**

The Foundation invests in premium investment grade mutual bond funds and equity securities from companies located throughout the world. The securities are classified as “available for sale” and carried on the financial statements at fair value. Investments at June 30, 2017 and 2016 are summarized as follows:

	<b>2017</b>	
	<b>FAIR VALUE</b>	<b>UNREALIZED GAIN</b>
<b>SHORT-TERM INVESTMENTS</b>		
<b>Temporarily Restricted</b>		
California Local Agency Investment Fund	<u>\$ 760,689</u>	<u>\$ 0</u>
<b>LONG-TERM INVESTMENTS</b>		
<b>Unrestricted</b>		
Destination Wealth Management	<u>4,476,898</u>	<u>\$ 743,182</u>
<b>Temporarily Restricted</b>		
Destination Wealth Management	<u>4,841,230</u>	<u>737,927</u>
<b>Permanently Restricted</b>		
Destination Wealth Management	<u>7,623,671</u>	<u>1,054,689</u>
<b>TOTAL LONG-TERM INVESTMENTS</b>	<u><b>\$ 16,941,799</b></u>	<u><b>\$ 2,535,798</b></u>

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 3: INVESTMENTS (Continued)**

	<b>2016</b>	
	<b>FAIR VALUE</b>	<b>UNREALIZED GAIN</b>
 <b>SHORT-TERM INVESTMENTS</b>		
<b>Temporarily Restricted</b>		
California Local Agency Investment Fund	<u>\$ 1,005,516</u>	<u>\$ 0</u>
 <b>LONG-TERM INVESTMENTS</b>		
<b>Unrestricted</b>		
Destination Wealth Management	<u>3,406,847</u>	<u>\$ 459,379</u>
 <b>Temporarily Restricted</b>		
Destination Wealth Management	<u>3,976,509</u>	<u>447,835</u>
 <b>Permanently Restricted</b>		
Destination Wealth Management	<u>7,214,050</u>	<u>946,244</u>
<b>TOTAL LONG-TERM INVESTMENTS</b>	<u><u>\$ 14,597,406</u></u>	<u><u>\$ 1,853,458</u></u>

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 3: INVESTMENTS (Continued)**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2017, with comparative totals for 2016:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	
				2017	2016
Interest and dividends, (net of management fees of \$77,119 in 2017 and \$70,112 in 2016)	\$ 71,205	\$ 81,286	\$ 121,440	\$ 273,931	\$ 248,426
Realized gain on sale of investments	94,218	7,307	343,181	444,706	766,569
Unrealized gain (loss) on investments	283,803	290,064	106,097	679,964	(746,839)
	<b>\$ 449,226</b>	<b>\$ 378,657</b>	<b>\$ 570,718</b>	<b>\$ 1,398,601</b>	<b>\$ 268,156</b>

Interest and dividends (net of management fees) and realized gains earned on permanently restricted endowments, governed by U.S. Department of Education Title III Regulations, is credited to temporarily restricted net assets and available for funding scholarship or student activity needs of the campuses.

**NOTE 4: ENDOWMENTS**

Effective July 1, 2008 the Foundation adopted the provisions established by accounting literature for Endowments of Not-for-Profit Foundations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. The accounting literature provides guidance for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment assets consist of individual funds established to provide financial support to the Foundation in perpetuity. The endowment assets includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Foundation has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the

# STATE CENTER COMMUNITY COLLEGE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 4: **ENDOWMENTS** (Continued)

**Interpretation of Relevant Law** (continued)

gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the organization 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 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate the donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

**Return Objectives and Risk Parameters**

The Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes premium investment grade mutual bond funds and equity securities, that is intended to result in a consistent inflation-protected rate of return. Accordingly, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 4.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that includes equity and debt investments to achieve its long-term return objectives within prudent risk constraints.

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

NOTE 4: **ENDOWMENTS** (Continued)

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation uses a method based upon the total return on assets to determine the amounts appropriated for expenditure for endowments under which the organization is the income beneficiary in conformity with the “Uniform Prudent Management of Institutional Funds Act” (UPMIFA).

As of February 22, 2006, the board approved a spending/distribution policy. All endowed scholarship gifts not governed by U.S. Department of Education Title III Regulations shall be managed in accordance with the following spending/distribution policy:

It is the policy of the Foundation to preserve the principal of the endowment fund (“Endowment”) and maintain its current and future value, while providing for a consistent volume of annual earnings available to be distributed for scholarship purposes. In this regard, the Endowment shall annually make available for distribution 4.5% of its principal balance as follows: in the quarter that the distribution is to be made, 4.5% of the average quarterly book balance of the Endowment shall be calculated by multiplying 4.5% by the average quarterly book value of the Endowment as determined over the three year period immediately preceding the year in which the distribution is to be made. To the extent that the actual earnings for the year fall short of the 4.5% calculation, available earnings from previous years can be distributed. This 4.5% calculation of distributable earnings shall then be allocated pro rata between all individual endowment accounts based on each individual endowment account’s beginning of the year market value, plus current year donations and reinvestments (weighted for the month in which they were made). Earnings shall be defined as dividends, interest, and, to the extent that distributions are not covered by interest and dividends, realized gains. Annually, earnings not distributed pursuant to this policy shall be combined into the Endowment principal.

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

NOTE 4: **ENDOWMENTS** (Continued)

**Endowment Net Asset Composition by Type of Fund**

Endowment net assets consist of the following at June 30, 2017 and 2016:

	<b>2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 0	\$ 500,240	\$ 7,143,792	\$ 7,644,032
Board-designated endowment funds	<u>3,849,288</u>	<u>0</u>	<u>0</u>	<u>3,849,288</u>
Total endowment net assets	<u><b>\$ 3,849,288</b></u>	<u><b>\$ 500,240</b></u>	<u><b>\$ 7,143,792</b></u>	<u><b>\$ 11,493,320</b></u>
	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 0	\$ 349,900	\$ 6,769,280	\$ 7,119,180
Board-designated endowment funds	<u>3,668,108</u>	<u>0</u>	<u>0</u>	<u>3,668,108</u>
Total endowment net assets	<u><b>\$ 3,668,108</b></u>	<u><b>\$ 349,900</b></u>	<u><b>\$ 6,769,280</b></u>	<u><b>\$ 10,787,288</b></u>

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 4: ENDOWMENTS (Continued)**

**Changes in Endowment Net Assets**

The following schedule shows changes in endowment net assets for the years ended June 30, 2017 and 2016:

	<b>2017</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Endowment net assets, July 1, 2016	\$ 3,668,108	\$ 349,900	\$ 6,769,280	\$ 10,787,288
Investment return				
Interest and dividends, net of expenses	65,785	0	121,440	187,225
Realized gain on sale of investments	94,218	0	343,181	437,399
Unrealized gain on investments	<u>253,103</u>	<u>0</u>	<u>106,097</u>	<u>359,200</u>
Net investment return	413,106	0	570,718	983,824
Contributions	0	0	416,813	416,813
Expenditures	(231,926)	0	0	(231,926)
Interfund recharacterization	0	(462,679)	0	(462,679)
Release of endowment earnings for program purposes	<u>0</u>	<u>613,019</u>	<u>(613,019)</u>	<u>0</u>
Endowment net assets, June 30, 2017	<u>\$ 3,849,288</u>	<u>\$ 500,240</u>	<u>\$ 7,143,792</u>	<u>\$ 11,493,320</u>

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 4: ENDOWMENTS (Continued)**

**Changes in Endowment Net Assets (continued)**

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2015	\$ 3,101,689	\$ 1,070,956	\$ 7,028,067	\$ 11,200,712
Investment return				
Interest and dividends, net of expenses	58,447	0	114,694	173,141
Realized gain on sale of investments	40,371	0	449,474	489,845
Unrealized loss on investments	<u>(76,668)</u>	<u>(27,912)</u>	<u>(490,538)</u>	<u>(595,118)</u>
Net investment return	22,150	(27,912)	73,630	67,868
Contributions	0	0	529,974	529,974
Expenditures	(148,875)	0	0	(148,875)
Release due to satisfaction of program restrictions	693,144	(693,144)	0	0
Interfund recharacterization	0	(862,391)	0	(862,391)
Release of endowment earnings for program purposes	<u>0</u>	<u>862,391</u>	<u>(862,391)</u>	<u>0</u>
Endowment net assets, June 30, 2016	<u><b>\$ 3,668,108</b></u>	<u><b>\$ 349,900</b></u>	<u><b>\$ 6,769,280</b></u>	<u><b>\$ 10,787,288</b></u>

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STATE CENTER COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

NOTE 5: FAIR VALUE MEASUREMENTS

FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described below:

- |         |  |
|---------|--|
| Level 1 | Quoted prices for identical assets or liabilities traded in active markets   |
| Level 2 | Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

*Pledges receivable:* For pledges receivable that are due within one year, carrying amount is a reasonable estimate of fair value. For pledges receivable that are due in more than one year, fair value is estimated at the present value of estimated future cash flows, using a discount rate reflective of current interest rates.

*Bond and equity mutual funds:* Valued at the quoted net asset value of shares held by the Foundation at year end.

*Money market funds:* Valued at the net asset value of shares held by the Foundation at year end.

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 5: FAIR VALUE MEASUREMENTS (Continued)**

The tables below presents the level within the hierarchy at which assets are measured at June 30, 2017 and 2016:

	<u>2017</u>			
	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Non recurring:				
Pledges receivable	<u>\$ 287,318</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 287,318</u>
Recurring:				
Available for sale				
marketable securities				
Bond mutual funds	6,384,077	6,384,077	0	0
Equity mutual funds	10,155,230	10,155,230	0	0
Money market funds	<u>1,163,181</u>	<u>1,163,181</u>	<u>0</u>	<u>0</u>
Total available for sale				
marketable securities	<u>\$ 17,702,488</u>	<u>\$ 17,702,488</u>	<u>\$ 0</u>	<u>\$ 0</u>

	<u>2016</u>			
	<u>TOTAL</u>	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>
Non recurring:				
Pledges receivable	<u>\$ 546,742</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 546,742</u>
Recurring:				
Available for sale				
marketable securities				
Bond mutual funds	\$ 6,491,706	\$ 6,491,706	\$ 0	\$ 0
Equity mutual funds	7,972,324	7,972,324	0	0
Money market funds	<u>1,138,891</u>	<u>1,138,891</u>	<u>0</u>	<u>0</u>
Total available for sale				
marketable securities	<u>\$ 15,602,921</u>	<u>\$ 15,602,921</u>	<u>\$ 0</u>	<u>\$ 0</u>

A summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2017 and 2016 is presented below:

	<u>2017</u>	<u>2016</u>
Pledges receivable		
Balance, beginning of year	\$ 546,742	\$ 715,371
Additions to pledges receivable	7,996	129,351
Payments on pledges receivable	(267,116)	(284,563)
Present value discount	<u>(304)</u>	<u>(13,417)</u>
Balance, end of year	<u>\$ 287,318</u>	<u>\$ 546,742</u>

**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 6: UNRESTRICTED NET ASSETS**

Unrestricted net assets at June 30, 2017 and 2016, consist of the following:

	<b>2017</b>	<b>2016</b>
Board-designated endowment	\$ 3,849,288	\$ 3,668,108
Undesignated net assets	<u>317,604</u>	<u>281,840</u>
	<b><u>\$ 4,166,892</u></b>	<b><u>\$ 3,949,948</u></b>

Board-designated endowment net assets are available for the following purposes as of June 30, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Scholarships and programs - matching funds	\$ 1,889,493	\$ 1,916,221
Assistant director and other support staff	40,525	160,273
Capital campaign - Reedley College	59,534	0
Campus needs	0	69,010
Board-designated endowment - unspecified	<u>1,859,736</u>	<u>1,520,604</u>
	<b><u>\$ 3,849,288</u></b>	<b><u>\$ 3,666,108</u></b>

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 7: PERMANENTLY AND TEMPORARILY RESTRICTED NET ASSETS**

Permanently and temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	<b>2017</b>		<b>2016</b>	
	<b>PERMANENTLY RESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>
Scholarships	\$ 6,235,898	\$ 2,790,800	\$ 5,901,926	\$ 2,258,150
Instructional programs	807,432	1,995,050	777,432	1,947,948
Educational support	58,590	2,107,333	48,590	1,601,773
Athletic programs	<u>41,872</u>	<u>173,034</u>	<u>41,332</u>	<u>164,426</u>
	<b><u>\$ 7,143,792</u></b>	<b><u>\$ 7,066,217</u></b>	<b><u>\$ 6,769,280</u></b>	<b><u>\$ 5,972,297</u></b>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the year ended June 30, 2017 are:

	<b>2017</b>
Scholarships	\$ 424,551
Instructional programs	128,537
Educational support	158,917
Athletic programs	<u>340,887</u>
	<b><u>\$ 1,052,892</u></b>

Net assets released from restrictions – income reallocation during the year ended June 30, 2017 are:

Interest and dividends (net of management fees) and realized gains of \$613,019 earned on permanently restricted net assets were reallocated from permanently restricted net assets to temporarily restricted net assets.

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**STATE CENTER COMMUNITY COLLEGE FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017 AND 2016**

**NOTE 8: CREDIT RISK**

**Cash** – The Foundation maintains its cash accounts primarily with a bank located in Fresno, California. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, the Foundation had a cash balance on deposit with the bank in the amount of \$480,375, which exceeded the balance insured by the FDIC. Typically the monthly balance in the account is less than \$250,000.

**Pledges Receivable** – Economic conditions within California may impact the collection of pledges receivable.

**NOTE 9: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 6, 2017 (date financial statements available to be issued) noting the following matter: