



Reports of Independent Auditors and
Consolidated Financial Statements

The Foundation for Santa Barbara City College

June 30, 2024

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Report of Independent Auditors

The Board of Directors
The Foundation for Santa Barbara City College

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Foundation for Santa Barbara City College (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Matters

Prior Period Summarized Comparative Information

We have previously audited the Foundation's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2023. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying statements of financial position and activities by fund is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2024, on our consideration of the Foundation for Santa Barbara City College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Los Angeles, California
November 13, 2024

Consolidated Financial Statements

The Foundation for Santa Barbara City College
Consolidated Statement of Financial Position
As of June 30, 2024

(With Comparative Totals as of June 30, 2023)

ASSETS				
	Without Donor Restrictions	With Donor Restrictions	Total 2024	(Memo) Total 2023
CURRENT ASSETS				
Cash and cash equivalents	\$ 914,150	\$ -	\$ 914,150	\$ 1,230,864
Short-term investments	5,422,697	3,010,386	8,433,083	8,060,662
Accounts receivable	64,096	-	64,096	63,086
Pledges and grants receivable, net	37,260	817,902	855,162	840,122
Bequests receivable	68,573	-	68,573	375,170
Prepaid expenses	23,874	-	23,874	71,571
Total current assets	6,530,650	3,828,288	10,358,938	10,641,475
NON-CURRENT ASSETS				
Pledges and grants receivable, net of current	-	433,116	433,116	33,627
Long-term investments	16,072,482	65,371,044	81,443,526	73,206,497
Assets held in FCCC-Osher	-	971,026	971,026	909,737
Office equipment, net	20,810	-	20,810	27,912
Assets held in charitable remainder trusts	-	1,332,281	1,332,281	1,261,361
Assets of pooled income fund	-	80,840	80,840	89,728
Contributions receivable from remainder trusts	-	2,309,164	2,309,164	2,578,546
Total non-current assets	16,093,292	70,497,471	86,590,763	78,107,408
Total assets	\$ 22,623,942	\$ 74,325,759	\$ 96,949,701	\$ 88,748,883
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,151,825	\$ -	\$ 2,151,825	\$ 1,490,455
Scholarships payable	3,169,685	-	3,169,685	2,649,700
Total current liabilities	5,321,510	-	5,321,510	4,140,155
NON-CURRENT LIABILITIES				
Liability under unitrust agreements	-	457,755	457,755	483,404
Discount for future interest – pooled income funds	-	22,430	22,430	26,090
Total non-current liabilities	-	480,185	480,185	509,494
Total liabilities	5,321,510	480,185	5,801,695	4,649,649
NET ASSETS				
Without donor restrictions	17,302,432	-	17,302,432	16,945,115
With donor restrictions	-	73,845,574	73,845,574	67,154,119
Total net assets	17,302,432	73,845,574	91,148,006	84,099,234
Total liabilities and net assets	\$ 22,623,942	\$ 74,325,759	\$ 96,949,701	\$ 88,748,883

See accompanying notes.

The Foundation for Santa Barbara City College
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	(Memo) Total 2023
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions of cash and bequests	\$ 960,518	\$ 4,318,091	\$ 5,278,609	\$ 3,882,626
Contributions of nonfinancial assets	60,000	-	60,000	60,000
Investment income (loss), net	2,320,891	7,620,069	9,940,960	5,067,923
Other income	405,814	-	405,814	397,496
Rental income	288,000	-	288,000	-
Change in value of split-interest agreements	-	(178,041)	(178,041)	590,481
Net assets released from restriction	5,068,664	(5,068,664)	-	-
Total revenue, gains, and other support	<u>9,103,887</u>	<u>6,691,455</u>	<u>15,795,342</u>	<u>9,998,526</u>
EXPENSES				
College programs and other designated disbursements	3,011,001	-	3,011,001	2,511,419
SBCB promise	2,274,558	-	2,274,558	1,806,220
Scholarships and awards	1,344,368	-	1,344,368	943,463
Fundraising	956,444	-	956,444	946,407
General and administrative	1,160,199	-	1,160,199	1,014,847
Total expenses	<u>8,746,570</u>	<u>-</u>	<u>8,746,570</u>	<u>7,222,356</u>
CHANGE IN NET ASSETS	357,317	6,691,455	7,048,772	2,776,170
NET ASSETS, beginning of year	<u>16,945,115</u>	<u>67,154,119</u>	<u>84,099,234</u>	<u>81,323,064</u>
NET ASSETS, end of year	<u>\$ 17,302,432</u>	<u>\$ 73,845,574</u>	<u>\$ 91,148,006</u>	<u>\$ 84,099,234</u>

See accompanying notes.

The Foundation for Santa Barbara City College
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	Program Services	Management and General	Fundraising	Total 2024	(Memo) Total 2023
Grants to SBCC	\$ 2,466,650	\$ -	\$ -	\$ 2,466,650	\$ 1,165,228
SBCC promise program expenses	2,274,558	-	-	2,274,558	1,806,220
Salaries and wages	397,868	629,572	465,985	1,493,425	1,313,937
Grants to individuals	1,344,368	-	-	1,344,368	943,463
Employee benefits	78,295	123,891	91,699	293,885	313,474
Donor cultivation	-	-	250,565	250,565	244,677
Advertising and promotion	587	-	112,470	113,057	178,058
Payroll taxes	29,337	46,421	34,359	110,117	96,428
Information technology	-	90,726	-	90,726	80,198
Professional fees	-	75,584	-	75,584	66,157
Conferences, meetings, and travel	-	33,847	-	33,847	35,023
Dues, subscriptions, and memberships	-	32,093	-	32,093	39,276
Office expenses	-	30,824	1,366	32,190	36,266
Other expenses	19,170	70,856	-	90,026	26,789
Insurance	19,094	9,097	-	28,191	9,015
Printing and postage	-	2,098	-	2,098	1,298
Equipment rental and maintenance	-	2,077	-	2,077	1,898
Other grants	-	-	-	-	850,100
Subtotal	6,629,927	1,147,086	956,444	8,733,457	7,207,505
Depreciation and amortization	-	13,113	-	13,113	14,851
2024 total expenses	<u>\$ 6,629,927</u>	<u>\$ 1,160,199</u>	<u>\$ 956,444</u>	<u>\$ 8,746,570</u>	
2023 total expenses (memo)	<u>\$ 5,261,102</u>	<u>\$ 1,014,847</u>	<u>\$ 946,407</u>		<u>\$ 7,222,356</u>

See accompanying notes.

The Foundation for Santa Barbara City College
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	<u>2024</u>	<u>(Memo)</u> <u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,048,772	\$ 2,776,170
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	13,113	14,851
Contributions restricted for long-term investment	(15,579)	(5,098,035)
Gain on investments	(6,516,768)	(1,709,289)
(Decrease) increase in pledges, bequests, grants, accounts receivable, and prepaid expenses	(61,245)	441,217
Increase (decrease) in split-interest agreements	301,532	(334,382)
Increase in accounts payable and accrued liabilities and scholarships payable	1,181,355	1,365,289
Decrease in liability under split-interest agreements	<u>(29,309)</u>	<u>(122,091)</u>
Net cash provided by (used in) by operating activities	<u>1,921,871</u>	<u>(2,666,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase from matured trusts	(94,182)	5,675,723
Purchase of equipment	(6,011)	(16,089)
Proceeds from sale of investments	17,874,753	12,336,606
Purchase of investments	<u>(20,028,723)</u>	<u>(21,903,992)</u>
Net cash used in investing activities	<u>(2,254,163)</u>	<u>(3,907,752)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions provided by investment	<u>15,579</u>	<u>5,098,035</u>
Net cash used in financing activities	<u>15,579</u>	<u>5,098,035</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(316,713)	(1,475,987)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,230,863</u>	<u>2,706,850</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 914,150</u></u>	<u><u>\$ 1,230,863</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash transactions consisted of the following		
In-kind contributions to the Foundation of rents by Santa Barbara City College	<u>\$ 60,000</u>	<u>\$ 60,000</u>
In-kind services provided by the Foundation to Santa Barbara City College	<u>\$ 524,024</u>	<u>\$ 496,090</u>

See accompanying notes.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 1 – Nature of Activities

The Foundation for Santa Barbara City College (the Foundation) has provided Santa Barbara City College (SBCC) with private philanthropic support since 1976, serving as the vehicle through which individuals and organizations may invest in the college and its students. The Foundation was formed for the purpose of inspiring, securing, and managing voluntary private gifts, trusts, and bequests for the benefit of SBCC and its students. The Foundation also secures grants from public sources as appropriate.

The Foundation fuels the excellence of SBCC by engaging the community, building relationships, and inviting the generosity of donors. The resources raised and managed by the Foundation enrich the college programs, remove barriers, and empower students to succeed.

As an independent 501(c)(3) nonprofit organization and partner to SBCC, the Foundation awards more than \$5 million annually for student success programs, scholarships, book grants, emergency funds, and other critical needs of the college. For more than four decades, the resources raised and managed by the Foundation have supported SBCC students as they prepare for careers, transfer to four-year universities, and pursue lifelong learning goals.

In 2016, the Foundation launched the SBCC Promise, an ambitious new effort to make the community's college accessible and affordable to all local students who have recently completed their secondary education within the SBCC district. The SBCC Promise is revolutionary in that it is comprehensive (covers all required fees, books, and supplies), robust (covers two full years), and open access (not restricted based on past academic performance). It is entirely funded by private donations. Eligibility is determined by a student's high school location or residency, year of graduation, and commitment to the SBCC Promise eligibility requirements (details at sbccpromise.org).

In June 2023, the Foundation established 525 Anacapa LLC (a disregarded entity for tax purposes) to own, manage and lease to SBCC, for educational and charitable purposes, the property located at 525 Anacapa Street, Santa Barbara, California. Title to property was transferred as of June 5, 2023. As of June 30, 2024, its activities are consolidated with the Foundation.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reclassifications – Certain amounts from the June 30, 2023, financial statements have been reclassified to conform to the June 30, 2024, financial statement presentation. There were no changes to net assets.

Description of net assets – The Foundation reports information regarding its financial position and activities in two classes of net assets—with donor restrictions and without donor restrictions—based on the existence or absence of donor-imposed restrictions.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Without donor restrictions – Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board-designated funds.

With donor restrictions – Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the statement of activities and changes in net assets. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the statement of activities and changes in net assets. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Foundation as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Use of estimates – The preparation of financial statements in conformity with United States generally accepted accounting principles (GAAP) requires management to 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. Actual results could differ from those estimates.

Revenue recognition – Unconditional promises to give cash and investment securities are reported at fair value at the date the promise is received. Conditional contributions are recognized as revenue when the conditions on which they depend have been met. Current gifts of cash, securities, and real property are recognized at fair value when they are received.

Cash and cash equivalents – All highly liquid investments with a maturity of three months or less at the date of purchase are considered cash equivalents. Amounts held as investments are not considered cash or cash equivalents for the purpose of the statement of cash flows.

Investments – The Foundation records investments in debt and equity securities with readily determinable market values at fair value. The investments in hedge funds, partnerships, and private equity, for which quoted market prices are not readily available, are determined by management in good faith with the assistance of third-party investment managers using methods they consider appropriate. The Foundation defines real assets as investments in real estate and other commodities. Realized and unrealized gains and losses are included in the change in net assets, net of investment expenses.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Adoption of recent accounting pronouncements – accounts receivable – In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL), which requires the establishment of an allowance for estimated credit losses on financial assets, including trade and other receivables and contract assets, at each reporting date. Under this method an allowance is estimated for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. Financial assets measured at amortized cost are presented at the net amount expected to be collected by using an allowance for credit losses. The Foundation adopted the new standard on July 1, 2023, which did not have a significant effect on the financial statements as of and for the year ended June 30, 2024.

The Foundation measures expected credit losses for accounts receivable using the aging method whereby expected credit losses are determined on the basis of how long a receivable has been outstanding.

Upon evaluation of the impact of this ASU, the Foundation concluded that minimal reserves were necessary as historical losses were immaterial, and, based on the qualitative and quantitative analysis performed in accordance with ASC Topic 326 requirements, the Foundation determined there was no reasonable expectation of significant credit losses associated with the Foundation's accounts receivable in the foreseeable future.

Bequests receivable – Unconditional bequests are recorded at their estimated fair value when all events required for the transfer of the assets from the estate of the donor to the Foundation have occurred and the court has issued an order to transfer the assets.

Pledges and grants receivable – Pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges and grants receivable that are expected to be collected in more than one year are reported at net realizable value after discounting at various rates based on the date of the gift. Net realizable value is computed using a present value technique applied to anticipated cash flows. The Foundation estimates its allowance for uncollectible pledges is 4.33% of outstanding pledges and grant receivable as of June 30, 2024.

Lease accounting – In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which supersedes Accounting Standards Codification (ASC) 840, *Leases*, and creates a new topic, ASC 842, *Leases*. This update requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all leases, including operating leases, with an expected term greater than 12 months on its statement of financial position. The update also expands the required quantitative and qualitative disclosures surrounding leases. The Foundation adopted this ASU on July 1, 2022, and used the modified retrospective adoption method, utilizing the simplified transition option available in the new lease standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption. Upon adoption, the Foundation did not recognize any operating lease liabilities or ROU assets as the amounts were not material to the financial statements.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Contributed goods and services – Donated or contributed goods and services received by the Foundation are recorded as nonfinancial assets at fair value at the time of the donation or receipt. If the fair value exceeds \$10,000, an appraisal is obtained. Donated or contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Contributed services from third-parties are valued at the estimated fair value based on current rates for similar services.

Contributions of nonfinancial assets received from donors for the years ending June 30, 2024 and 2023, are summarized below:

Contributed Nonfinancial Assets	Revenue Recognized for the Years Ended June 30,		Utilization in Program/Activities	Donor Restrictions	Valuation Techniques and Inputs
	2024	2023			
In-kind contributions to the Foundation of rents by Santa Barbara City College	\$ 60,000	\$ 60,000	General and Administrative	No associated donor restrictions	Estimated the fair value on the basis of recent comparable rent prices in the real estate market.

Prepaid expenses – Prepaid expenses are payments made to vendors for purchase orders which have not been received or services which have not been rendered as of year end.

Assets held in FCCC-Osher – The Foundation has an interest in the California Community Colleges Endowment Challenge managed by the Foundation for California Community Colleges (FCCC), which are included on the financial statements under the caption “Assets held in FCCC-Osher” and are reported at fair value.

Office equipment – Office equipment is stated at cost, or fair value if donated. The Foundation capitalizes assets with a cost of \$1,000 or more and an expected useful life greater than one year. Depreciation is calculated using the straight-line method over their estimated useful lives (three years).

Impairment of assets – Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed are reported at the lower of the carrying amount or fair value less selling costs. During the year ended June 30, 2024, there were no events or changes in circumstances indicating that the carrying amount of assets may not be recoverable.

Assets held in charitable remainder trusts – The Foundation is the remainderman for various charitable remainder trusts, gift annuity contracts, and interests in pooled income funds that have been established by donors to provide income or benefits, generally for life, to designated beneficiaries. The remainder of the trusts will be distributed to the Foundation for the purposes in the trust agreements. Each year beneficiaries receive a percentage of the trust’s fair value, payable quarterly; some of the trusts are further limited to net income or net-income-with-make-up provisions. If the Foundation is the trustee, the fair value of the trust is recorded in the statement of financial position. A corresponding liability is recorded for the present value of the future payments as specified in the trust agreements using discount rates based on the applicable federal rate at year end of 5.60% and the life expectancy of each trust’s income beneficiaries.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Contributions receivable from remainder trusts – The Foundation does not act as trustee for certain other trusts which are also included in the financial statements; the Foundation has neither fiduciary control of the trust assets nor a liability for the distributions payable to the income beneficiaries. The fair value of the interest in these trusts is calculated based on the net present value of the estimated future benefits to be received when the assets are distributed, using discount rates based on the applicable federal rate at year end of 5.60% and the life expectancy of each trust's income beneficiaries. These are reflected as "Contributions receivable from remainder trusts."

Split-interest agreements – The Foundation is the remainderman for various charitable remainder trusts, gift annuity contracts, and interests in pooled income funds that have been established by donors to provide income or benefits, generally for life, to designated beneficiaries. The remainder of the trusts will be distributed to the Foundation for the purposes in the trust agreements. Each year beneficiaries receive a percentage of the trust's fair market value, payable quarterly; some of the trusts are further limited to net income or net-income-with-make-up provisions. The total fair value of all trusts for which the Foundation is the remainderman at year end was \$1,332,281 with a corresponding present value liability of \$457,755.

The trusts are separate legal entities, created under the provisions of Section 664 of the Internal Revenue Code, and have a calendar year end as required by the Tax Reform Act of 1986. The trusts are exempt from federal and California income taxes on investment income accumulated for future distribution and any net capital gains.

Foundation as trustee – In certain cases, the Foundation acts as trustee at no charge as a service to the donors. As trustee, the Foundation has fiduciary control over the trust assets and responsibility over the life of the trust for the payments to the income beneficiaries. For financial statement presentation, the interest in these trusts is presented at fair value as "Assets held in charitable remainder trusts." The fair value of amounts payable to trust income beneficiaries over the life of the trusts is based on their present value using discount rates based on the applicable federal rate at year end of 5.60% and the life expectancy of each trust's income beneficiaries. Based on the estimated life of the trust, each year a portion of the net change in asset value is recognized as revenue under "Change in value of split-interest agreements."

Pooled income fund – Two donors have contributed assets to the Foundation's pooled income fund and one donor has contributed assets to a pooled income fund administered by another charitable organization. For financial statement presentation, this fund is presented at fair value of the assets and the amounts payable to the income beneficiaries are recorded at their fair value based on their present value using discount rates based on the applicable federal rate at year end of 5.60%. These are reflected as "Discount for future interest-pooled income." As pooled income interests mature, a portion of the net change in asset value is recognized as revenue under "Change in value of split-interest agreements."

Grant and scholarships payable – The Foundation reports grants and scholarships payable as the total awards made, less semester payments and unused awards from several previous fiscal years.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Contributions of cash and bequests – Unconditional contributions and bequests received are recorded at their fair value on the date of donation. Contributions receivable are recognized as revenue when committed and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Contributions have been evaluated and determined to be non-reciprocal and unconditional. Contributions, including unconditional promises to give, are recognized as revenue when received. Unconditional promises to give must be accompanied by written documentation prior to being recognized as revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Bequests are recorded at their estimated fair value when all the events required for the transfer of the assets from the estate of the donor to the Foundation have occurred and/or the court has issued an order to transfer the assets.

Donor restrictions – The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Foundation reports gifts of property and equipment (or other long-lived assets) as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as support with donor restrictions. Absent explicit donor stipulations regarding how long such assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Other grants expenses – The Foundation made a grant in FY 2022-2023 to the Montecito Estate Management Employee Ownership Trust u/d/t dated August 3, 2022. The expense was incurred in the period approved for expenditure by the Chief Executive Officer at the time and recorded as part of the Grants to SBCC. It has been reclassified as other grants.

Functional expenses – The Foundation allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on various statistical bases. Certain expenses, such as salaries and wages, employee benefits, and payroll taxes, are allocated based on time spent in each functional area by specific employee as estimated by management. All other costs are charged directly to the appropriate functional category.

Advertising and promotions – Advertising and promotions expenses are expensed as incurred and are included in fundraising expenses on the accompanying statement of activities and changes in net assets.

Income taxes – The Foundation is a California nonprofit public benefit corporation, which is exempt from income taxes; therefore, no provision for income taxes is required. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Foundation evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2024, the Foundation has no uncertain tax positions requiring accrual.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 3 – Pledges and Grants Receivable

Pledges are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges not anticipated to be received in the next twelve months are recorded after discounting at various rates based on the date of the gift to the net present value of the pledge. The Foundation estimates its allowance for uncollectible pledges is 4.33% of outstanding pledges and grant receivable as of June 30, 2024. The Foundation's discount on pledges range between 0.11% and 5.37%.

Gross pledges	\$ 1,373,776
Less: net present value discount	(26,509)
Less: allowances for uncollectible pledges	<u>(58,989)</u>
Net pledges	<u><u>\$ 1,288,278</u></u>

Pledges are expected to be realized in the following periods:

Due in one year or less	\$ 855,162
Due between one and ten years	<u>433,116</u>
Total	<u><u>\$ 1,288,278</u></u>

Pledges receivable at year end have the following restrictions:

Student support	\$ 144,595
Departmental programs and activities	1,106,423
General operating support	<u>37,260</u>
Total	<u><u>\$ 1,288,278</u></u>

Note 4 – Assets Held at FCCC-Osher

In 2010, the Foundation invested \$759,035 in the California Community Colleges Endowment Challenge managed by the FCCC. The purpose of the Challenge (funded by The Bernard Osher Foundation) was to create a \$100 million scholarship endowment fund for California community college students, the California Community Colleges Scholarship Endowment (CCCSE). As a participant, the Foundation for SBCC was allocated \$379,517 in matching funds. The funds invested in CCCSE remain the Foundation's net assets with donor restrictions. Earnings on both the Foundation's investment and the matching funds are distributed as scholarship funds to the Foundation for distribution to SBCC students in accordance with the terms of the Partnership Agreement dated June 2010. The FCCC has assembled an Investment Advisory Committee to direct and monitor the investment of the CCCSE assets. The funding of scholarships began with the 2009-2010 academic year.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 5 – Investments

Investments are presented in the consolidated statement of financial position at fair value. As of June 30, 2024, investments consisted of the following:

	(Unaudited) Cost	Fair Value
Marketable funds		
Fixed income	\$ 18,446,622	\$ 15,776,108
Fixed income – short term	8,811,867	8,433,084
Domestic equities	24,463,879	27,325,765
International equities	17,440,738	16,854,028
Investment in real estate	5,958,766	6,864,179
Assets held in FCCC-Osher	759,035	971,026
Alternative investments	9,919,943	14,623,445
	<u>\$ 85,800,850</u>	<u>\$ 90,847,635</u>
Total	<u>\$ 85,800,850</u>	<u>\$ 90,847,635</u>

Investments held in the group of net assets with donor restrictions are placed in an investment pool. Investment income, gains, and losses are allocated to the various restricted net assets as stipulated in the Foundation’s investment policy.

The following summarizes the investment returns included in the consolidated statement of activities and changes in net assets for the year ended June 30, 2024.

Interest and dividend income	\$ 3,749,982
Realized loss on investments	(263,863)
Unrealized gain on investments	6,779,993
Investment fees	(325,152)
	<u>(325,152)</u>
Total investment income, net	<u>\$ 9,940,960</u>

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 6 – Investment in Commercial Real Estate

A long-term lease on buildings and improvements suitable for a motel operation were donated to the Foundation in December 1983 and recorded at the estimated fair value of future receipts as of that date in the amount of \$945,000. The buildings and improvements associated with the lease have been leased to Motel 6 since 1971. The lease is for 63 years and the terms call for periodic adjustments based on changes in the Consumer Price Index. Annual lease income was \$164,808 for the year ended June 30, 2024. The aggregate future minimum lease payments for the 12 remaining years of the lease are approximately \$2,348,000.

The expected future minimum lease payments to be received for the next five years are as follows:

Years Ending June 30,	
2025	164,808
2026	164,808
2027	201,264
2028	201,264
2029	<u>201,264</u>
Total	<u>\$ 933,408</u>

On October 28, 2016, the Foundation purchased a 10,000-square-foot building at 525 Anacapa Street in downtown Santa Barbara. It is reported as an investment in the Foundation's restricted funds. The building was purchased for the purpose of leasing it to SBCC for educational programs effective July 1, 2017. Prior to leasing the building, significant improvements were made and were capitalized in the fiscal year ended June 30, 2017. Additional structural improvements to the building are expected depending on the academic schedule and permitting required by the California Division of the State Architect.

Once the final cost of purchase and improvement is calculated, a long-term lease will be negotiated that, per agreement with the college, will provide no less than 4% annual return on investment to the Foundation and provide the college with access to a high-quality educational program space. Title was transferred from the Foundation to the 525 Anacapa LLC on June 5, 2023. Based on the appraised value of the previous year, a new lease between the LLC and the College District was negotiated for the 2023-2024 fiscal year with a \$24,000 monthly lease. The fair value of the property at June 30, 2024, was \$6,864,179.

Note 7 – Net Assets Released from Donor Restrictions

Net assets during year ended June 30, 2024, were released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors.

College programs	\$ 1,450,774
SBCC promise	2,273,521
Scholarships and awards	<u>1,344,369</u>
Total	<u>\$ 5,068,664</u>

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 8 – Related-party Transactions

SBCC provides certain services to the Foundation which are charged to the Foundation, including the purchase of health benefits, catering services, student support and sponsorships of events. For the year ended June 30, 2024, these costs were \$197,493.

SBCC also provides facility use and maintenance, computing and communication services, and other services to the Foundation, which are not included in the Foundation's financial statements. Such costs attributable to these services were estimated to be approximately \$60,000 for the year ended June 30, 2024.

Certain services are also provided by the Foundation to SBCC. Such services included program/event development, assistance in scholarship processing, program distributions, and marketing. For the year ended June 30, 2024, these costs amounted to \$524,024.

Note 9 – Fair Value Measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

The Foundation has various processes and controls in place to ensure that fair value is reasonably estimated. A model validation policy governs the use and control of valuation models used to estimate fair value. This policy requires review and approval of models and periodic reassessments of models to ensure that they are continuing to perform as designed. The Foundation performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process. Where market information is not available to support internal valuations, independent reviews of the valuations are performed and any material exposures are escalated through a management review process.

During the year ended June 30, 2024, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies during the fiscal year ended June 30, 2024:

Cash – All highly liquid investments with a maturity of three months or less at the date of purchase are considered cash equivalents.

Assets held in FCCC-Osher – The fair value of these assets is based on the fair value of the Foundation's interest in the endowment fund housed at the FCCCs.

Equity securities – The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Marketable funds – Marketable funds are valued at the published net asset value (NAV) of shares held at year end. The NAV is based on the value of the underlying securities which are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Assets held in charitable remainder trusts and liability under unitrust agreements – The fair value of perpetual investment trusts is based on the fair value of the Foundation's interest in the trusts' underlying investments.

The underlying investments are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers. The liability under unitrust agreements is based on the discounted present value of future annuities due, as estimated based on life expectancy tables.

Assets of pooled income funds and discount for future interest – The fair value of assets of pooled income funds is based on the fair value of the Foundation's interest in the funds' underlying investments. The underlying investments are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers. The fair value of the discount for future interest is based on the discounted present value.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Contributions receivable from remainder trusts and refundable advances – The fair value of contributions receivable from remainder trusts is based on the fair value of the Foundation’s interest in the trusts’ underlying investments. The underlying investments are valued based on quoted market prices, when available, or market prices provided by recognized broker dealers. The fair value of the refundable advances is based on the discounted present value.

Real estate – The fair value of real estate is based on the purchase price of the real estate plus cost of improvements since purchase or the most recent appraised value.

Alternative investments – The fair value of alternative investments is estimated based on the information obtained from the investment manager. NAV and entity level attributes are considered when estimating.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

The following tables set forth by level, within the fair value hierarchy, the Foundation’s assets and liabilities at fair value as of June 30, 2024:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Assets held in charitable remainder trusts					
Cash	\$ 16,065	\$ 16,065	\$ -	\$ -	\$ -
Fixed income	359,210	359,210	-	-	-
Equities	794,088	794,088	-	-	-
Real estate	28,073	28,073	-	-	-
Commodities	134,846	134,846	-	-	-
Assets of pooled income fund	58,410	-	-	58,410	-
Contributions receivable from remainder trusts	2,309,164	-	-	2,309,164	-
Marketable funds					
Domestic equities	27,325,765	27,325,765	-	-	-
International equities	16,854,028	16,854,028	-	-	-
Fixed income	24,209,192	24,209,192	-	-	-
Assets held in FCCC-Osher	971,026	-	-	971,026	-
Alternative investments					
Collateralized Loan Obligations (CLOs)	6,107,269	-	-	-	6,107,269
Equity	96,200	-	-	-	96,200
Fixed income	5,617	-	-	-	5,617
Hedge funds	7,390,173	-	-	-	7,390,173
Private equity	1,024,186	-	-	-	1,024,186
Investment in real estate	6,864,179	-	6,864,179	-	-
Total assets	94,547,491	69,721,267	6,864,179	3,338,600	14,623,445
Liability under unitrust agreements					
	457,755	-	457,755	-	-
Total liabilities	\$ 457,755	\$ -	\$ 457,755	\$ -	\$ -

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

The following table sets forth disclosures of the Foundation's investments whose fair values are estimated using NAV per share as of June 30, 2024.

	Fair Value	Unfunded Commitment	Redemption Frequency
Alternative investments			
Fixed income (a)	\$ 5,617	\$ 76,300	Nonredeemable
Equity (b)	96,200	27,500	Nonredeemable
Private equity (c)	1,024,186	696,712	Nonredeemable
Hedge funds (d)	7,390,173	-	Semi-Annual
Collateralized Loan Obligations (CLOs) (e)	6,107,269	-	Quarterly
Total	\$ 14,623,445	\$ 800,512	

(a) This category includes investments in restructured, stressed, distressed debts.

(b) This category includes investments in U.S. and foreign equity funds.

(c) This category includes investments in U.S. debt, equity funds, and real assets.

(d) This category includes investments in long and short equity focused fund of hedge funds, distressed debt, along with long and short credit.

(e) This category includes investments of collateralized debt obligations and other structured credit investments. This may include fixed income securities, loan participations, credit-linked notes, medium term notes, registered and unregistered investment companies or pooled investment vehicles, and derivative instruments, such as credit default swaps and total return swaps.

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2024:

	Contributions Receivable from Remainder Trusts	Assets Held in FCCC-Osher	Assets of Pooled Income Fund	Total
BALANCE, June 30, 2023	\$ 2,578,546	\$ 909,737	\$ 89,728	\$ 3,578,011
Realized gain	-	81,510	-	81,510
Scholarships	-	(42,533)	-	(42,533)
Change in fair value	(269,382)	22,312	(8,888)	(255,958)
BALANCE, June 30, 2024	\$ 2,309,164	\$ 971,026	\$ 80,840	\$ 3,361,030

The valuation techniques noted above have been consistently applied to similar assets and liabilities for the year ended June 30, 2024.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 10 – Endowment

As of June 30, 2024, the Foundation's endowment consists of 205 donor-restricted endowment funds established for a variety of purposes. 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 based on the existence or absence of donor-imposed restrictions.

The board of directors of the Foundation follows the UPMIFA while continuing to emphasize that for true endowments (those funds designated as endowment by the donor) the amount of the original gift will never be withdrawn from principal without agreement from the donor.

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated, and (b) the original value of subsequent gifts to the perpetual endowment.

The remaining portion of the donor-restricted endowment is also classified as net assets with donor restrictions 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 Foundation considers the following factors in making a determination to appropriate or accumulate 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 effects 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.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Endowment net assets with donor restrictions totaled \$63,794,890 consisting of total original gift endowment contributions of \$43,260,511 and accumulated earnings of \$20,534,379 as of June 30, 2024.

Changes in endowment net assets for the year ended June 30, 2024:

Endowment net assets beginning of year	\$ 58,635,776
Investment income, net	2,582,833
Net appreciation/depreciation (realized and unrealized)	4,067,227
Gifts	15,579
Appropriation of endowment assets for expenditure	<u>(1,506,525)</u>
Endowment net assets end of year	<u><u>\$ 63,794,890</u></u>

Return objectives and risk parameters – The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the 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-specified period as well as board-designated funds. As approved by the board of directors, the endowment assets are invested with the expectation of generating a long-term rate of total return equal to or in excess of the spending allocation percentage above the rate of inflation. The Foundation has a current policy of appropriating for distribution each year up to 4.5% of its endowment fund's average fair market value over the prior thirteen quarters, unless otherwise prescribed by donor stipulations.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions.

There was one endowment fund as of June 30, 2024, where the principal had fallen below the original gift amount. The deficiencies related to this fund as of June 30, 2024, are as follows:

Fair value of underwater endowments	\$ 15,781
Original endowment gift amount	<u>15,875</u>
Deficiencies of underwater endowment funds	<u><u>\$ (94)</u></u>

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – In the fiscal year ended June 30, 2024, the spending policy for all endowed funds was up to 4.5% of fair value as averaged over thirteen quarters. The spending policy distributions are not taken from deficient funds. All such distributions are classified as temporarily restricted net assets until appropriated for expenditure. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows for the year ended June 30, 2024:

Subject to expenditure for specified purpose	
Direct student and college program support	\$ 10,050,684
Total	\$ 10,050,684
Endowments	
Subject to the passage of time	
Deferred assets	\$ 1,085,626
Osher	971,026
Subject to endowment spending policy and appropriation	
Permanently restricted to general endowment	61,738,238
Total endowments	\$ 63,794,890
Total net assets with donor restrictions	\$ 73,845,574

Note 12 – Defined Contribution Plan

Effective July 1, 1994, the board of directors established a defined contribution retirement plan for permanent employees. The tax deferred group annuity plan covers all employees who work at least 1,000 hours in a twelve-month period commencing with their date of employment. The Foundation has the option to match voluntary contributions to the plan by the employee, up to 6% of gross compensation. For the year ended June 30, 2024, the Foundation chose to offer to match. The total cost was \$59,298.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

Note 13 – Liquidity

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments, and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024:

Current assets	
Cash and cash equivalents available within one year	\$ 914,150
Pledges and grants receivable, current portion	855,162
Bequests receivable	68,573
Other current assets	<u>23,874</u>
Total current assets	<u>1,861,759</u>
Investments	
Short-term investments	8,433,083
Long-term investments	81,443,526
Less: investments unavailable for general expenditures within one year	
Endowments and other funds subject to spending policy appropriations beyond one year	
With donor restrictions	<u>(68,381,430)</u>
Total investments	<u>21,495,179</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024	<u><u>\$ 23,356,938</u></u>

Note 14 – Comparative Amounts

The amounts shown for June 30, 2023, in the accompanying consolidated financial statements are included to provide a basis for comparison with June 30, 2024, and are not intended to present all information necessary for a fair presentation of the June 30, 2023, consolidated financial statements in conformity with GAAP.

Note 15 – Risks and Uncertainties

The Foundation invests in investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of activities and changes in net assets.

The Foundation for Santa Barbara City College

Notes to Consolidated Financial Statements

The Foundation maintains cash balances at several banks insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC only insures the first \$250,000 of funds on deposit at any one institution. The Foundation had uninsured cash of approximately \$1,397,324 deposited with one bank.

The Foundation holds financial instruments that potentially subject the Foundation to concentrations of credit risk which consist of securities held at brokerage firms. These balances are insured up to \$500,000 by the Securities Investor Protection Corporation.

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, investments, accounts receivable, bequests receivable, and pledges receivable. With respect to unconditional promises to give, the Foundation routinely assesses the financial strength of its debtors and believes that the related credit risk exposure is limited.

Note 16 – Subsequent Events

Subsequent events have been evaluated through November 13, 2024, the date that the financial statements were available to be issued. There were no additional subsequent events noted that required disclosures.

Supplemental Information

The Foundation for Santa Barbara City College
Statement of Financial Position
As of June 30, 2024

	Santa Barbara City College Foundation	525 Anacapa LLC	Total 2024
CURRENT ASSETS			
Cash and cash equivalents	\$ 646,731	\$ 267,419	\$ 914,150
Short-term investments	8,433,083	-	8,433,083
Accounts receivable	64,096	-	64,096
Pledges and grants receivable, net	855,162	-	855,162
Bequests receivable	68,573	-	68,573
Prepaid expenses	23,874	-	23,874
Total current assets	<u>10,091,519</u>	<u>267,419</u>	<u>10,358,938</u>
NON- CURRENT ASSETS			
Pledges and grants receivable, net of current	433,116	-	433,116
Long-term investments	74,526,290	6,917,236	81,443,526
Assets held in FCCC-Osher	971,026	-	971,026
Office equipment, net	20,810	-	20,810
Assets held in charitable remainder trusts	1,332,281	-	1,332,281
Assets of pooled income fund	80,840	-	80,840
Contributions receivable from remainder trusts	2,309,164	-	2,309,164
Total non-current assets	<u>79,673,527</u>	<u>6,917,236</u>	<u>86,590,763</u>
Total assets	<u>\$ 89,765,046</u>	<u>\$ 7,184,655</u>	<u>\$ 96,949,701</u>
CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 2,151,825	\$ -	\$ 2,151,825
Distributions payable	3,169,685	-	3,169,685
Total current liabilities	<u>5,321,510</u>	<u>-</u>	<u>5,321,510</u>
NON-CURRENT LIABILITIES			
Liability under unitrust agreements	457,755	-	457,755
Discount for future interest – pooled income funds	22,430	-	22,430
Total non-current liabilities	<u>480,185</u>	<u>-</u>	<u>480,185</u>
Total liabilities	5,801,695	-	5,801,695
NET ASSETS			
Total liabilities and net assets	<u>\$ 89,765,046</u>	<u>\$ 7,184,655</u>	<u>\$ 96,949,701</u>

The Foundation for Santa Barbara City College
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	Santa Barbara City College Foundation	525 Anacapa LLC	Total 2024
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions of cash and bequests	\$ 5,278,609	\$ -	\$ 5,278,609
Contributions of nonfinancial assets	60,000	-	60,000
Investment income (loss), net	9,940,960	-	9,940,960
Other income	405,814	-	405,814
Rental income	-	288,000	288,000
Change in value of split-interest agreements	(178,041)	-	(178,041)
Net assets released from restriction	-	-	-
Total revenue, gains, and other support	<u>15,507,342</u>	<u>288,000</u>	<u>15,795,342</u>
EXPENSES			
Grants to SBCC	\$ 2,466,650	\$ -	\$ 2,466,650
SBCC promise program expenses	2,274,558	-	2,274,558
Grants to individuals	1,344,368	-	1,344,368
Salaries and wages	1,493,425	-	1,493,425
Employee benefits	293,885	-	293,885
Payroll taxes	110,117	-	110,117
Office expenses	32,190	-	32,190
Professional fees	75,584	-	75,584
Conferences, meetings, and travel	33,847	-	33,847
Advertising and promotion	113,057	-	113,057
Information technology	90,726	-	90,726
Donor cultivation	250,565	-	250,565
Dues, subscriptions, and memberships	32,093	-	32,093
Insurance	9,097	19,094	28,191
Equipment rental and maintenance	2,077	-	2,077
Printing and postage	2,098	-	2,098
Other expenses	89,792	234	90,026
Depreciation and amortization	13,113	-	13,113
Total net expenses	<u>8,727,242</u>	<u>19,328</u>	<u>8,746,570</u>
Change in net assets	<u>\$ 6,780,100</u>	<u>\$ 268,672</u>	<u>\$ 7,048,772</u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
The Foundation for Santa Barbara City College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Foundation for Santa Barbara City College (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Los Angeles, California
November 13, 2024