MIRACOSTA COLLEGE FOUNDATION BOARD
Audit COMMITTEE MEETING

Tuesday, August 1, 2023, 12:30 – 1:00 p.m.

Audit Committee Members:
Cindy Musser, Sudershan Shaunak, Tim Snodgrass, Kimberly Troutman

Staff Support:
Timothy Flood, Elizabeth Lurenana, Shannon Stubblefield, Lois Templin, Christina Undan

Auditors:
Rick Alonzo, Rachel Green

AGENDA

I. CALL TO ORDER

II. ROLL CALL, WELCOME, INTRODUCTIONS
Request consent to record meeting.

III. PUBLIC COMMENT ON ITEMS ON AND NOT ON THE AGENDA

IV. CHANGES IN AGENDA ORDER

V. REVIEW AND APPROVE FY21-22 AUDIT REPORT – Action Required

VI. ANNOUNCEMENTS, MEETING AND EVENT CALENDAR REVIEW

Next Finance Committee Meeting (San Elijo)
Tuesday, August 1, 2023 at 1:00 – 2:30 p.m.
Next Executive Committee Meeting (San Elijo)
Tuesday, August 1, 2023 at 3:00 – 4:00 p.m.
Next Quarterly Board Meeting (San Elijo)
Tuesday, August 15, 2023 at 3:00 – 6:00 p.m.
Next Comprehensive Campaign Committee Meeting (Zoom)
Tuesday, August 29, 2023 at 1:00 – 2:00 p.m.
Next Governance and Nominations Committee Meeting (San Elijo)
Tuesday, October 24, 2023 at 2:00 – 3:00 p.m.

VII. FUTURE AGENDA ITEMS

VIII. ADJOURNMENT

________________, 2023

The Board of Directors
MiraCosta College Foundation
Oceanside, California

We have audited the financial statements of MiraCosta College Foundation (the Foundation) as of and for the year ended June 30, 2022, and have issued our report thereon dated ____________, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated June 3, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management of the Foundation may have the ability to override controls that the Foundation has implemented. Management may override the Foundation's controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the Foundation's financial performance or with the intent of concealing fraudulent transactions.

Revenue Recognition – We identified revenue recognition as a significant risk due to financial and operational incentives for the Foundation to overstate revenues.

Net Asset Classification – We identified the classification of net assets as a significant risk due to the risk of potential misclassification of restricted donations for purposes of benefiting the Foundation's operations.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Foundation is included in Note 1 to the financial statements. As discussed in Note 1, the Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* during year ending June 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions or (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. No such significant accounting estimates were identified.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There were no financial statement disclosures that we consider to be particularly sensitive or involve significant judgement.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. Foundation management identified certain funds that were previously presented as net assets with donor restrictions, which based on review of the gift agreement were unrestricted in nature. Accordingly, a correction of an error was identified in the independent auditor's report to properly account for those funds in the net assets without donor restriction classification.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated _____________, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Foundation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the Foundation, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Rancho Cucamonga, California

June XX, 2023

To the Board of Directors
MiraCosta College Foundation
Oceanside, California

In planning and performing our audit of the financial statements of MiraCosta College Foundation (the Foundation) as of and for the year ended June 30, 2022 in accordance with auditing standards generally accepted in the United States of America, 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 opinion on the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and, therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the Foundation's internal control to be a material weakness:

Restatement – Classification of Net Assets

Foundation management reviewed the classification of donor restricted funds and related pledge receivable. As a result of the review of the balances and the gift agreement and related documentation, management determined that the donor's intent of the gift was unrestricted. Therefore, all activity relating to this donor should be reported in the financial statements as without donor restriction. The Foundation's beginning net assets with donor restriction have been restated to reflect this reclassification.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Rancho Cucamonga, California
June XX, 2023

Financial Statements
June 30, 2022

MiraCosta College Foundation
(A California Nonprofit Corporation)

Independent Auditor's Report

The Board of Directors
MiraCosta College Foundation
Oceanside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MiraCosta College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022, and the changes in its net assets and its 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). 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.

Correction of Error

As discussed in Note 14 to the financial statements, certain errors resulting in the incorrect classification of net asset restrictions as of June 30, 2021, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for net assets have been restated in the 2021 financial statements now presented, and an adjustment has been made to net asset restrictions as of June 30, 2021, to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management 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; 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 of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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, 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.

Rancho Cucamonga, California
_______________, 2023

DRAFT RG 7/13/2023

MiraCosta College Foundation
Statement of Financial Position
June 30, 2022

Assets	
Current assets	
Cash and cash equivalents	$ 1,898,764
Prepaid and Other Assets	10,145
Investments	15,704,005
Investments related to deferred gifts	724,537
Accounts receivable	58,105
Unconditional promises to give, net	417,734
Donated artwork held for sale	426,799
Total current assets	19,240,089
Noncurrent assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	762,750
Cash surrender value of life insurance	28,842
Unconditional promises to give, net	227,937
Total noncurrent assets	1,019,529
Total assets	$ 20,259,618
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 24,308
Due to MiraCosta Community College District	135,886
Total liabilities	160,194
Net assets	
Without donor restrictions	
Undesignated	2,080,369
Board designated	654,968
Total without donor restrictions	2,735,337
With donor restrictions	17,364,087
Total net assets	20,099,424
Total liabilities and net assets	$ 20,259,618

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MiraCosta College Foundation
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions, gifts, and grants	$ 113,771	$ 1,392,772	$ 1,506,543
Contributions - assets held for sale	9,236	-	9,236
Contributions - gift in kind	-	73,025	73,025
Contributions - District donated gift in kind	135,828	215,480	351,308
Management fees	209,020	(209,020)	-
Net assets released from restrictions	1,114,265	(1,114,265)	-
Total public support and revenues	1,582,120	357,992	1,940,112
Expenses			
Program	1,315,500	-	1,315,500
Management and general	760,741	-	760,741
Total expenses	2,076,241	-	2,076,241
Other Income			
Unrealized loss on investments	(195,217)	(2,459,593)	(2,654,810)
Change in value of deferred gifts	-	81,823	81,823
Change in cash surrender value of life insurance	-	467	467
Change in value of beneficial interest in assets held by Foundation for California Community Colleges	-	(119,560)	(119,560)
Interest and dividends, net	3,137	-	3,137
Total other income	(192,080)	(2,496,863)	(2,688,943)
Change in Net Assets	(686,201)	(2,138,871)	(2,825,072)
Net Assets, Beginning of Year, as Restated	3,421,538	19,502,958	22,924,496
Net Assets, End of Year	$ 2,735,337	$ 17,364,087	$ 20,099,424

MiraCosta College Foundation

Statement of Functional Expenses

Year Ended June 30, 2022

	Program	Management and General	Total
Foundation staff salaries and benefits	$ 91,185	$ 27,098	$ 118,283
Donated salaries and benefits	208,200	132,466	340,666
Donated facility use	7,280	3,362	10,642
Gift in kind	73,025	-	73,025
Supplies	67,578	2,437	70,015
Other services	64,768	30,598	95,366
Travel, conferences, training	22,024	3,067	25,091
Dues and membership	12,040	451	12,491
Insurance	-	13,411	13,411
Utilites and custodial	224	-	224
Contract services	110,134	39,817	149,951
Audit	-	12,000	12,000
Advertising & postage	45,128	2,237	47,365
Direct student aid	85,920	-	85,920
Scholarships	527,994	-	527,994
Bad debt expense (loss of pledge)	-	493,797	493,797
Total	$ 1,315,500	$ 760,741	$ 2,076,241

MiraCosta College Foundation
Statement of Cash Flows
Year Ended June 30, 2022

Operating Activities	
Change in net assets	$ (2,825,072)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Contributions restricted for long-term purposes	(111,898)
Net unrealized loss on investments	2,654,810
Distribution from beneficial interest in assets held by the Foundation for California Community Colleges	38,800
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	119,560
Change in value of deferred gifts	(81,823)
Cash surrender value of life insurance	(467)
Change in assets and liabilities	
Prepaid and other assets	(10,145)
Accounts receivable	(57,922)
Unconditional promises to give	628,378
Donated artwork held for sale	(9,236)
Accounts payable	19,046
Due to Miracosta Community College District	64,284
Net Cash Flows From Operating Activities	428,315
Investing Activities	
Withdrawal from endowment	505,852
Purchase of investments	(431,881)
Net Cash Flows From Investing Activities	73,971
Financing Activities	
Collections of contributions restricted for long-term purposes	111,898
Change in Cash and Cash Equivalents	614,184
Cash and Cash Equivalents, Beginning of Year	1,284,580
Cash and Cash Equivalents, End of Year	$ 1,898,764

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies

Organization

The MiraCosta College Foundation (the Foundation) is a non-profit public benefit corporation organized under the Non-profit Public Benefit Corporation Law of the State of California. The Foundation was incorporated on April 26, 1967, as an independent foundation established under the laws of the State of California. The purpose of the Foundation is to promote the benefits of the MiraCosta College (the College) and to assist in securing, managing and distributing resources for students in the community. The members of the Foundation's Board of Directors are composed of members from the local community. Advisors to the Board include the College President, College management staff, a member of the Board of Trustees, Senate Presidents and Associated Student Body President.

Financial Statement Presentation

The Foundation and the District are financially interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others,* issued by the Financial Accounting Standards Board (FASB). The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The FASB has established the Accounting Standards of Codification (ASC) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. The financial statements include the accounts maintained by and directly under the control of the Foundation. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

Net Asset Accounting

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor or grantor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Foundation. In addition, the Foundation's Board has also designated various balances of net assets without donor restrictions for certain uses, as described in Note 12.

Net Assets With Donor Restrictions - Net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue and Revenue Recognition

The Foundation recognizes contributions, including unconditional promises to give, as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Contributions are reported as net assets 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 purpose restriction is accomplished, net assets with donor restrictions are released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income (interest and dividends) is included in the change in net assets from operations unless the gain or loss is restricted by donor or law.

Concentrations

The Foundation maintains cash and investment balances at banks in excess of Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits. Deposit concentration risk is managed by placing cash and investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of and revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Donated Services and Goods and In-Kind Contributions

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In addition, a number of volunteers have donated time to the Foundation's fundraising campaigns, which have not been reflected in the accompanying financial statements because the recognition criteria were not met. Donated salaries, benefits and facilities received from the District per the terms of the Master Agreement, are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same service. The value of those contributed items is recognized as both revenue and expense to the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all checking and money market accounts with an original maturity of 90 days or less.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. When a restriction expires, donor-restricted net assets are reclassified to net assets without donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises 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. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. At June 30, 2022, unconditional promises to give have been recorded in the financial statements in the amount of $645,671, net of unamortized discount.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2022, management has set up an allowance for uncollectible promise to give in the amount of $500,000.

Beneficial Interest in Assets held by Community Foundation

During 2008, the Foundation established an endowment fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Osher Endowment Scholarship program and named the Foundation as a beneficiary. Variance power was granted to the CF which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

Income Taxes

The Foundation is a charitable, not-for-profit, tax-exempt organization qualified under provisions of Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Accordingly, no provision for income taxes has been provided in the financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi). The Foundation annually files information returns, Forms 990, 199, and RRF-1, with the appropriate agencies. There was no unrelated business activity income.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Accounts Payable and Current Liabilities

Accounts payable balance consists of expenditures incurred prior to fiscal year end, but not yet paid. Due to MiraCosta Community College District (the District) balance consists of payroll processed by the District on behalf of the Foundation and other miscellaneous expenditures owed to the District.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Management Fee

Endowments received by the Foundation are subject to a 1.5% endowment management fee. The fee is assessed annually at 1.5% of the endowment fund balance before distribution. In addition, the Foundation assesses a 5% gift fee on all planned gifts, at the time of receipt. Revenues received from management fees are used by the Foundation to cultivate and solicit new gifts, as well as pay for administrative overhead related to processing gifts and endowments.

Change in Accounting Principle

As of July 1, 2021, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for- Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,898,764
Board reserves	50,000
Accounts receivable	58,105
	$ 2,006,869

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. To ensure the stability of its mission, programs, employment, and ongoing operations, the Foundation maintains Board-Designated Operating Reserves. Quarterly, the Vice President, Institutional Advancement and the Finance Committee chair will determine if funds need to be transferred from the Operations Reserve Account (Vanguard) into local operating accounts to meet upcoming cash needs. The assets apportioned to the Reserve Account (Portfolio) are to be invested with the objective of security of principal and short-term liquidity.

Note 3 - Unconditional Promises to Give

The Foundation's unconditional promises to give consisted of the following at June 30, 2022:

Unconditional promises to give before unamortized discount and allowance for doubtful accounts	$ 1,147,734
Less discount to net present value	(2,063)
Less allowance for uncollectible promises to give	(500,000)
Net Unconditional Promises to Give	$ 645,671

Unconditional promises to give can be classified as without, or with donor restriction. Management has determined that all amounts are deemed collectible at June 30, 2022.

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2022:

	Annual Fund	Deferred Action for Childhood Arrivals (DACA)	Hatoff Endowment
Amounts due in			
Due within one year	$ 62,734	$ 35,000	$ 15,000
Due within one to five years	-	25,000	200,000
	62,734	60,000	215,000
Less discount to net present value	-	(62)	(1,988)
Less allowance for uncollectible promises to give	-	-	-
Total	$ 62,734	$ 59,938	$ 213,012

	Karetas Family	Promise Program	Total
Amounts due in			
Due within one year	$ 5,000	$ 300,000	$ 417,734
Due within one to five years	5,000	500,000	730,000
	10,000	800,000	1,147,734
Less discount to net present value	(13)	-	(2,063)
Less allowance for uncollectible promises to give	-	(500,000)	(500,000)
Total	$ 9,987	$ 300,000	$ 645,671

The discount rate used was 0.25% for the year ended June 30, 2022.

Note 4 - Donated Artwork Held For Sale

During the year ended June 30, 2021, the Foundation received various works of art, which based on donor stipulations can be sold for the benefit of the Foundation's mission. The works of art were valued using independent appraisals. As of June 30, 2022, the balance of artwork held for sale was $426,799.

Note 5 - Investments

Investments are stated at fair value and are summarized as of June 30, 2022:

Investments	
Investments	$ 15,704,005
Deferred gifts	724,537
Beneficial interest in assets held by the Foundation for California Community Colleges	762,750
Total investments	$ 17,191,292

The investment return consists of the following at June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 42,473	$ -	$ 42,473
Unrealized loss on investments	(195,217)	(2,459,593)	(2,654,810)
Total investment loss	(152,744)	(2,459,593)	(2,612,337)
Investment fees	(39,336)	-	(39,336)
Total investment loss, net of fees	$ (192,080)	$ (2,459,593)	$ (2,651,673)

Note 6 - Fair Value Measurement and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair value of fund investments as reported by the Foundation. These are considered to be level 3 measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2022. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2022. The Foundation has no assets or liabilities recorded at fair value on a non-recurring basis as of June 30, 2022.

	Level 1	Level 3	Total
Assets			
Equity	$ 11,424,991	$ -	$ 11,424,991
Fixed income	4,279,014	-	4,279,014
Deferred gifts	-	724,537	724,537
Beneficial interest in assets held by the Foundation for California Community Colleges	-	762,750	762,750
Total	$ 15,704,005	$ 1,487,287	$ 17,191,292

Note 7 - Deferred Gifts

The Foundation is the beneficiary of various charitable remainder trusts, administered by the Community College League of California and one individual trustor, which provide for the payment of distributions to the grantor or other designated beneficiary over the trust's term (generally the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available to the Foundation. The Foundation recognizes the fair value of its interest in the trust at the time the trust is established as a contribution. Fair value is based on the present value of the estimated future benefits to be received using discount rates ranging from 5.6% to 8.4%.

Assets held in the charitable remainder trusts totaled $724,537 at June 30, 2022, and are reported at fair value or cost, depending on the nature of the assets in the statement of financial position. The Foundation revalues its liability to make distributions to the other designated beneficiaries annually based on mortality tables and other applicable factors. The revision of this liability together with the amortization of the discount associated with the contribution is reported as changes in the value of deferred gifts in the statement of activities.

Note 8 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges - Osher Endowment Scholarship

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a $25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the District and its donors have contributed $682,313. As of June 30, 2022, the ending balance of the Osher Endowment Scholarship was $762,750. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 9 - Donor Designated Endowments

The Foundation's financial assets consist of various funds established for a variety of purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowments funds, are classified and reported based on existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to permanent endowment, (b) plus the original value of subsequent gifts to the endowments, (c) plus accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not held in perpetuity is classified as net assets with donor restrictions and may be 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds by preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the institution. Endowment assets are invested in a well-diversified mix including equity and fixed-income securities, intended to provide an inflation-protected rate of return satisfying the distribution requirements while protecting the corpus. Investment risk is measured in terms of the total endowment fund, not individual endowments.

Spending Policy

The Foundation's Board approved spending policy was created to protect the values of the endowments. An endowment spending rate of no more than 5.5% is based on a three-year moving average of current market values as of June 30, 2022. This rate is reviewed on an annual basis.

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Donor-restricted endowment funds	$ -	$ 11,932,055	$ 11,932,055
Board-designated endowment funds	604,968	-	604,968
Total	$ 604,968	$ 11,932,055	$ 12,537,023

Changes in endowment net assets as of June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Balance at June 30, 2021, as restated	$ 757,456	$ 15,008,534	$ 15,765,990
Contributions	-	111,898	111,898
Change in value of investments	(117,174)	(2,529,929)	(2,647,103)
Amounts appropriated for expenditures	(35,314)	(658,448)	(693,762)
Balance at June 30, 2022	$ 604,968	$ 11,932,055	$ 12,537,023

Note 10 - Restrictions of Net Asset Balances

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2022:

Deferred gifts and cash surrender value of life insurance	$ 753,379
Campus Activity	2,665,183
Donor restricted endowments	1,317,996
Foundation scholarships	1,331,157
Total net assets with time/purpose restriction	$ 6,067,715

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2022:

Scholarship endowments	$ 4,749,449
Beneficial interest in assets held by the Foundation for California Community Colleges	682,313
General endowments	5,864,610
Total net assets with perpetual restriction	$ 11,296,372

Note 11 - Net Assets Released from Restrictions

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as listed below at June 30, 2022:

Scholarships and grants	$ 613,914
Other program services	211,846
Donated salaries and facility use	215,480
Gift in Kind	73,025
Total	$ 1,114,265

Note 12 - Board Designated Net Assets

Net assets without donor restrictions that have been Board designated consist of the following at June 30, 2022:

Board-designated endowment funds	$ 604,968
General Reserves	50,000
Total	$ 654,968

Note 13 - Transactions with Related Entities

There are certain administrative costs of the Foundation that are paid by the District in accordance with a Memorandum of Understanding between the District and the Foundation. The District believes that so long as the Foundation continues to adequately perform funds management and fundraising assistance to the District, the District's best interests are served by continuing to support the Foundation's operations by providing personnel, certain facilities, and administrative services including the services of the District's Vice President, Institutional Advancement.

For the year ended June 30, 2022, the Foundation received $340,666 in donated salaries and benefits and $10,642 in donated facilities from the District in alignment with the Memorandum of Understanding.

Note 14 - Restatement

When reviewing the individual funds within the net assets, the Foundation became aware of funds that were improperly classified upon recognition. The balance was adjusted in the current year, restating the beginning net assets to properly account for these funds in the correct classification. There was no effect on the change in net assets for the fiscal year ended June 30, 2021, as a result of the restatement. The effect on the Foundation’s statement of activities as of June 30, 2021 is as follows:

	As Previously Reported	Adjustment	As Adjusted
Net Assets, End of the Year			
Net assets without donor restrictions	$ 2,352,247	$ 1,069,291	$ 3,421,538
Net assets with donor restrictions	20,572,249	(1,069,291)	19,502,958
	$ 22,924,496	$ -	$ 22,924,496

Note 15 - Subsequent Events

The Foundation’s management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2022 through ___________, 2023, which is the date the financial statements were available to be issued.