



## MIRACOSTA COLLEGE FOUNDATION BOARD FINANCE COMMITTEE MEETING

**Tuesday, February 7, 2023 1:00 – 2:30 p.m.**

3333 Manchester Avenue Cardiff, CA 92007  
Conference Room 1131

Members of the community not able to attend in person can listen to the live stream here:  
<https://www.miracosta.edu/faculty-staff/academic-information-services/media-services/ocn2.html>

### ***Finance Committee Members:***

Matt Adams, Bruce Bandemer, Eva Budnik, Jimmy Figueroa, Melissa Grajek, Cindy Musser, Sharon Wiback

### ***Staff Support & Advisors Support Attendees:***

Tori Fishinger, Tim Flood, Elizabeth Lurenana, Andrew Maslick, Shannon Stubblefield

## **AGENDA**

### **I. CALL TO ORDER**

This meeting's audio will be live streamed and recorded.

### **II. ROLL CALL, WELCOME and INTRODUCTIONS**

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

### **IV. CHANGES IN AGENDA ORDER**

### **V. APPROVE MEETING MINUTES - Action Required**

A. Regular meeting of December 14, 2022

### **VI. PRESENTATION(S)**

A. Andrew Maslick, VIAS (Zoom)

### **VII. COLLEGE UPDATES**

A. Office of Administrative Services – Vice President Tim Flood (Zoom)

### **VIII. COMMITTEE REPORT(S)**

A. Finance Committee

- i. Review & Approve FY22/23 Q2 Financial Statements (**Action Required**)
- ii. Review & Approve FY22/23 Q2 Recap with Recommendations from Accounting Department (**Action Required**)
- iii. Review ["Investment and Spending Policy"](#) (**Action Required**)
  - a. Section III a
  - b. Section VII c and corresponding Investment and Spending Policy Flow Chart
- iv. Audit Update

### **IX. ANNOUNCEMENTS, MEETING AND EVENT CALENDAR REVIEW**

#### **Next Finance Committee Meeting**

Tuesday, May 2, 2023 at 1:00 – 2:30 p.m.

**X. FUTURE AGENDA ITEMS**

**XI. ADJOURNMENT**

\* **ITEMS ON THE AGENDA:** Members of the audience may address the Foundation Board Committee on any item listed on the agenda when that agenda item comes up for discussion and/or action. Comments will be limited to three (3) minutes per agenda item and a total of fifteen (15) minutes of public comment on an item, unless waived by the committee. Non-English speakers utilizing a translator will have six (6) minutes to directly address the Committee.

**ITEMS NOT ON THE AGENDA:** Members of the audience may address the Foundation Board Committee on any topic not on the agenda so long as the topic is within the jurisdiction of the Foundation. Under the Brown Act, the committee is not permitted to engage in public discussion or take any action on an agenda item not on the agenda, except that members of the committee may briefly respond to statements made or questions posed by persons exercising their public testimony rights under Government Code §54954.3. In addition, on their own initiative, or in response to questions posed by the public, a member of the committee may ask a question for clarification. A member of the committee or the committee itself may provide a reference to staff or other resources for factual information, request staff to report back to the body at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. Comments from visitors shall not exceed three (3) minutes unless the committee waives the time limit. Non-English speakers utilizing a translator will have six (6) minutes to directly address the committee. The committee may also limit the total amount of time for public comment on a particular topic to fifteen (15) minutes.

**DECORUM:** Decorum requires members of the public to observe order at committee meetings. Speakers shall speak to the issues, and refrain from using defamatory or abusive personal remarks that disturb or impede the meeting or exceed the bounds of civility necessary to the conduct of the business of the Foundation Board Committee. The presiding officer has the authority to run the meeting, which includes the authority to issue warnings, call for recesses, or clearing the boardroom in the event of disruptive behavior. Government Code section 54954.3(c) establishes that the legislative body of a local agency shall not prohibit public criticism of the policies, procedures, programs, or services of the agency, or of the acts or omissions of the legislative body, and California Penal Code section 403 makes it a misdemeanor for any person to willfully disturb or break up any lawfully authorized assembly or meeting.

Foundation Committee meetings are held in meeting rooms that are accessible to those with mobility disabilities. If you wish to attend the meeting and you have another disability requiring special accommodation, please notify the board assistant, 760.795.6645, 760.757.2121, extension 6645, or 619.755.5155, extension 6645. The California Relay Service is available by dialing 711 or 800-735-2929 or 800-735-2922.

In compliance with Government Code §54957.5, nonexempt writings that are distributed to a majority or all of the MiraCosta Community College District Foundation Board in advance of their meetings may be viewed at the Office of Institutional Advancement, 1 Barnard Drive, Oceanside, California, 92056 or by clicking on the Foundation website at <http://foundation.miracosta.edu/agendas>. Such writings will also be available at the board meeting. In addition, if you would like a copy of any record related to an item on the agenda, please contact the board assistant by e-mail at [foundation@miracosta.edu](mailto:foundation@miracosta.edu)



## MIRACOSTA COLLEGE FOUNDATION BOARD FINANCE COMMITTEE

### MINUTES OF REGULAR MEETING

December 14, 2022  
(Draft)

#### I. CALL TO ORDER

The MiraCosta Community College Foundation Finance Committee met in open session on Wednesday, December 14, 2022, via hybrid Zoom conference and in Conference Room 1131 on the MiraCosta College District's San Elijo Campus (3333 Manchester Avenue, Cardiff, CA 92007). Voting members were present on site with Advisors Flood and Maslick on Zoom. Chair Bandemer called the meeting to order at 2:05 p.m.

#### II. ROLL CALL

##### Committee Members Present

Matt Adams (left at 3:01 p.m.)  
Cindy Musser

Bruce Bandemer

Jimmy Figueroa

##### Committee Members Absent:

Eva Budnik

Melissa Grajek

Sharon Wiback

##### Advisors & Staff Present:

Tori Fishinger, MiraCosta College Foundation Interim Associate Director  
Tim Flood, MiraCosta College VP of Administrative Services  
Elizabeth Lurenana, MiraCosta College Foundation Temporary Board Support  
Andrew Maslick, VIAS, Vanguard Senior Investment Consultant  
Shannon Stubblefield, MiraCosta College Foundation Executive Director/VP of Institutional Advancement

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

None

#### IV. CHANGES IN AGENDA ORDER

- A. Vanguard Advisor Maslick's presentation was moved after action items to accommodate for committee members who had to leave early.

#### V. APPROVE MEETING MINUTES

- A. Regular meeting of August 2, 2022  
By motion of Committee Member Adams, seconded by Committee Member Figueroa, the minutes of the regular meeting of August 2, 2022, were approved.

Vote: 3/0/1/3  
Objections: None  
Aye: Adams, Bandemer, Figueroa  
Nay: None  
Abstentions: Musser  
Absent: Budnik, Grajek, Wiback

#### VI. PRESENTATION(S)

- A. Andrew Maslick, VIAS (Zoom)
- i. Maslick shared Vanguard's market outlook for 2023. He will share this document with staff and the full committee.
  - ii. Maslick reviewed the slide deck included in the agenda packet.

- a. Discipline with the investment strategy is paying off in the long-term.
  - The committee asked questions about changing the makeup of the portfolio and if there is discretion to make changes when the market demands. Maslick did not recommend deviating from strategy.
- b. Chair Bandemer gave background on the previous investment group (Common Fund) used by the foundation and how their data informed the investment strategy with Vanguard.
- c. Committee Member Figueroa asked if there is anything the foundation can do to strategically position itself with a pending recession. Maslick did not recommend basing a strategic move on the prediction of a recession since the market is volatile and the future unknown.
  - Vice President/Executive Director Stubblefield noted that a recession plus receiving less funds from the state (per Vice President Flood's college update) means fewer major gifts and higher student demand. There will be a huge need for unrestricted funds for students.

## VII. COLLEGE UPDATES

- A. Office of Administrative Services – Vice President Tim Flood
  - i. Vice President Flood gave a brief update on college matters pertaining to finances.
    - a. The college's audit is going well, and no problems are expected.
    - b. State budget updates were received and there will be significantly fewer one-time dollars available to the college.
    - c. The state is putting money into student housing, and the college's feasibility study for student housing continues.
    - d. MiraCosta College has done well responsibly spending Measure MM funds, saving taxpayers \$153 million over the course of the bond by getting the very best values.

## VIII. COMMITTEE REPORT(S)

- A. Finance Committee
  - i. Review & Approve FY 21/22 End of Year Report
    - a. The committee discussed the cause of the swing down in money on hand due to market conditions.
    - b. There appears to be a discrepancy between the amounts of cash and investments on the Balance Sheet (\$1,898,763.34 & \$ 16,466,754.74) vs. Recap (\$1,917,341.85 & \$16,405,402.92). Staff will check with accounting department on the discrepancy.

By motion of Committee Member Musser, seconded by Committee Member Figueroa, the FY 21/22 End of Year Report Financials were approved, pending no errors found by staff follow-up.

Vote: 4/0/0/3

Objection: None

Aye: Adams, Bandemer, Figueroa, Musser

Nay: None

Abstentions: None

Absent: Budnik, Grajek, Wiback

- ii. Review & Approve FY 21/22 End of Year Recap with Recommendations from Accounting Department
  - a. Chair Bandemer explained the Investment and Spending Policy for committee members. Staff sent the link to this policy and others to the full committee. This action item is to approve accounting department recommendations for fund movement per the Investment and Spending Policy guidelines. The amount this time is larger than usual because several liquidations were missed during leadership transition. The committee discussed why funds must come out of the endowment account in order not to be speculating outside of the policy.

By motion of Committee Member Musser, seconded by Committee Member Adams, the recommended fund movement was approved for FY21/22 End of Year Recap.

Vote: 4/0/0/3  
Objection: None  
Aye: Adams, Bandemer, Figueroa, Musser  
Nay: None  
Abstentions: None  
Absent: Budnik, Grajek, Wiback

iii. Review & Approve FY22/23 Q1 Financial Statements

By motion of Committee Member Musser, seconded by Committee Member Adams, the FY 22/23 Q1 Financial Statements were approved.

Vote: 4/0/0/3  
Objection: None  
Aye: Adams, Bandemer, Figueroa, Musser  
Nay: None  
Abstentions: None  
Absent: Budnik, Grajek, Wiback

iv. Review & Approve FY22/23 Q1 Recap with Recommendations from Accounting Department

Upon reviewing this document, Committee Member Musser requested to amend her previous motion for fund management to reflect the new amount of \$1,231,117.26. By motion of Committee Member Figueroa, seconded by Committee Member Adams, the amendment was accepted and the amount of \$1,231,117.26 will be moved per [policy](#).

Vote: 4/0/0/3  
Objection: None  
Aye: Adams, Bandemer, Figueroa, Musser  
Nay: None  
Abstentions: None  
Absent: Budnik, Grajek, Wiback

a. Note: staff will work with the college's Accounting Department to update verbiage on these documents, so they are consistent with the Investment and Spending Policy terminology. Staff will also request a representative of the college's Accounting Department to attend the February committee meeting as well as subsequent meetings.

v. Fishinger explained the Hatoff Tapestries program is designed to encourage more collaborations and promote more culturally relevant activities.

**IX. ANNOUNCEMENTS, MEETING AND EVENT CALENDAR REVIEW**

**Next Finance Committee Meeting**

Tuesday, February 7, 2023 at 1:00 – 2:30 p.m.

**X. FUTURE AGENDA ITEMS**

None

**XI. ADJOURNMENT**

The meeting was adjourned at 3:18 p.m.

**Vanguard**

Prepared for

# **MiraCosta College Foundation**

February 7, 2023

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# Agenda

- I. 2022 year-in-review
- II. December 31, 2022 performance report
- III. Vanguard economic and market outlook for 2023

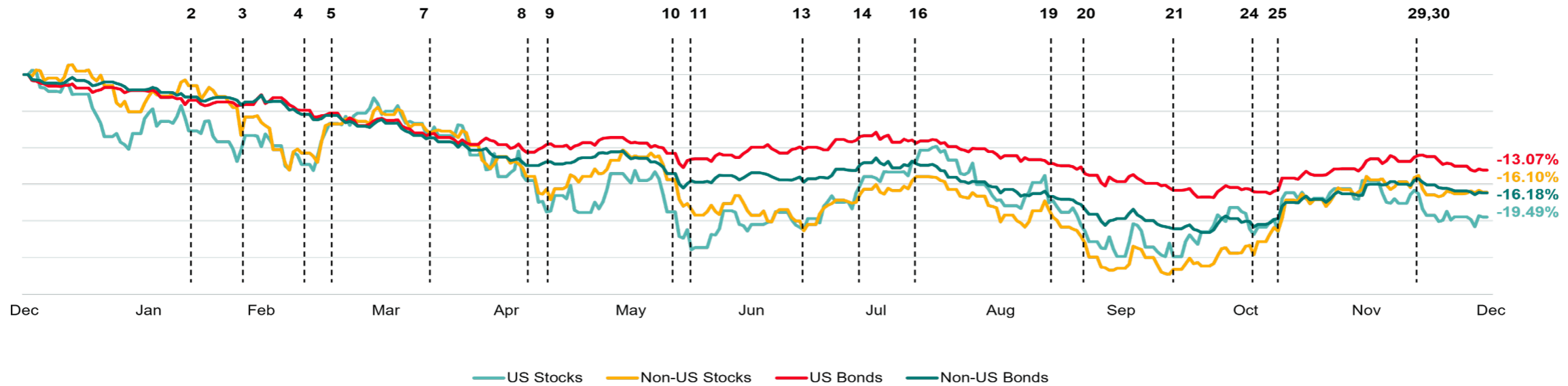
**Presented by:**

Andrew Maslick, CFP®, CAIA  
Senior Investment Consultatn  
VIAS

# 2022 Year-in-review



# 2022 Performance and notable events



- |  |  |  |
|--|--|--|
| 1) Crude oil hits \$90/barrel (2/3)            | 11) Fed hikes rates by 75 bps (6/16)                         | 21) September inflation announced at 8.2% (10/13)          |
| 2) January inflation announced 7.5% (2/10)     | 12) Prime Minister Boris Johnson announced resignation (7/7) | 22) Prime Minister Liz Truss announced resignation (10/20) |
| 3) Russia invaded the Ukraine (2/24)           | 13) June inflation announced at 9.1% (7/13)                  | 23) Elon Musk takes over Twitter (10/27)                   |
| 4) February inflation announced 7.9% (3/10)    | 14) Fed hikes rates by 75 bps (7/27)                         | 24) Fed hikes rates by 75 bps (11/2)                       |
| 5) Fed hikes rates by 25 bps (3/17)            | 15) GDP declined two straight quarters (7/28)                | 25) United States midterm election (11/8)                  |
| 6) Shanghai began 2-month COVID lockdown (4/1) | 16) July inflation announced at 8.5% (8/10)                  | 26) October inflation announced at 7.7% (11/10)            |
| 7) March inflation announced at 8.5% (4/12)    | 17) Inflation Reduction Act signed by President Biden (8/16) | 27) Georgia senate runoff election (12/6)                  |
| 8) Fed hikes rates 50 bps (5/5)                | 18) Queen Elizabeth II passed away (9/8)                     | 28) China begins easing COVID rules (12/7)                 |
| 9) April inflation announced at 8.3% (5/11)    | 19) August inflation announced at 8.3% (9/13)                | 29) November inflation announced at 7.1% (12/13)           |
| 10) May inflation announced at 8.6% (6/10)     | 20) Fed hikes rates by 75 bps (9/27)                         | 30) Fed hikes rates by 50 bps (12/14)                      |

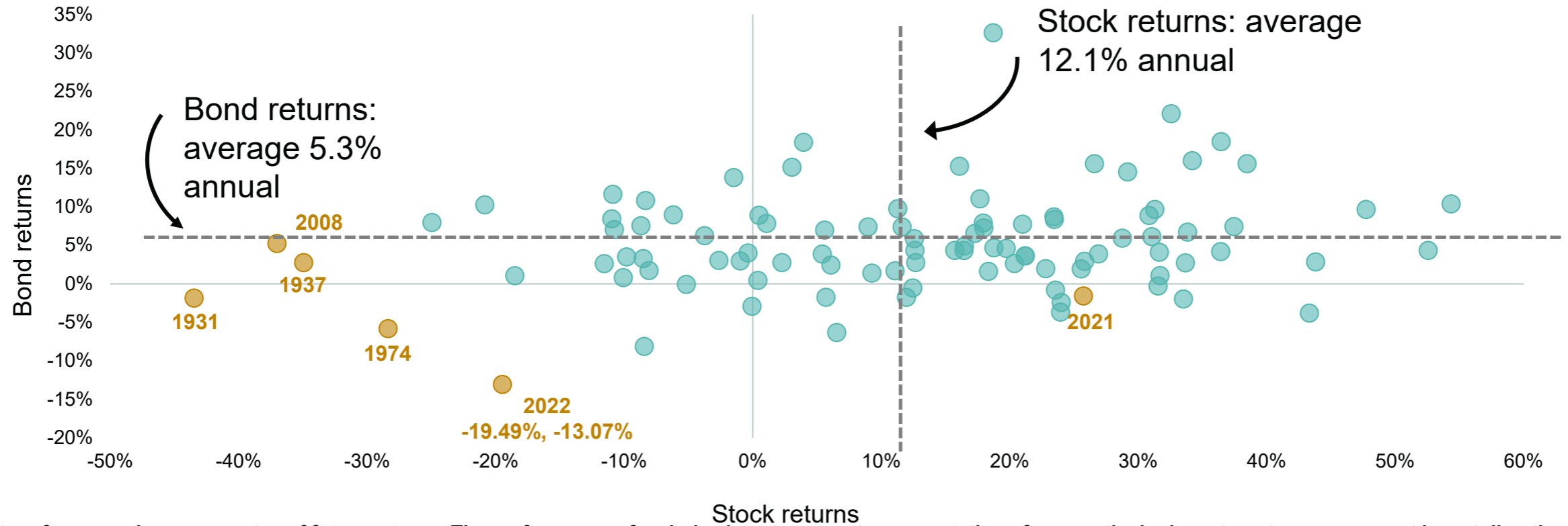
**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

Source: Vanguard. Data based on daily returns from 12/31/2021 - 12/31/2022. 2022 Total Returns in parentheses.

US Stocks (CRSP US Total Market), Non-US Stocks (FTSE Global All-Cap ex-US), US Bonds (Barclays US Aggregate Float-adjusted Bond Index), Non-US Bonds (Barclays Global ex-USD Aggregate Bond Index Hedged).

# Manage your expectations: In the short term, an investor's experience is anything but the historical average

Annual stock and bond returns 1926 through 2022

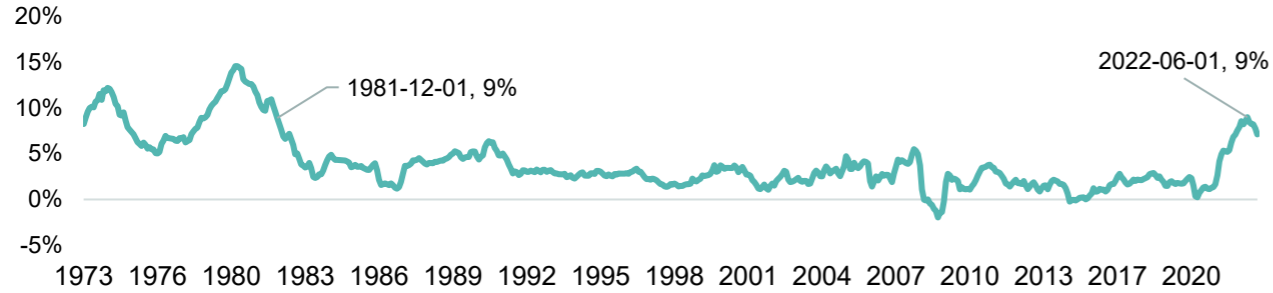


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Notes: US Stocks are represented by Standard & Poor's 500(dividends included) from 1926 through 12/31/1970; Wilshire 5000 Index from 1971 through 4/22/2008; MSCI US Broad Market Index through June 2, 2013; CRSP US Total Stock Market Index thereafter. Fixed income is represented by Standard & Poor's High Grade Corporate Index from 1926 through 1968; Citigroup High Grade Index from 1969 through 1972; Lehman Brothers U.S. Long Credit AA Index 1973 through 1975; Bloomberg U.S. Aggregate Index 1976 through 2009; Spliced Bloomberg U.S. Aggregate Float Adjusted Index thereafter (Bloomberg U.S. Aggregate Bond Index through December 31, 2009; Bloomberg U.S. Aggregate Float Adjusted Index thereafter.

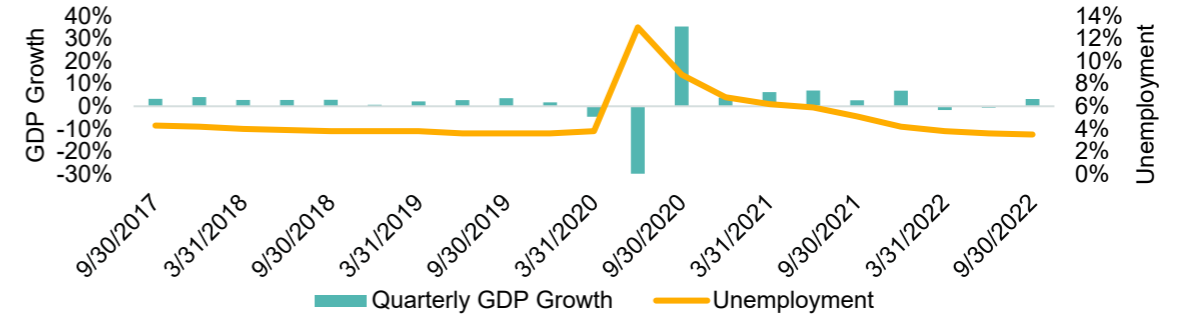
# Inflation and unemployment - 2022

**Inflation in 2022 reached its highest level in 40 years**



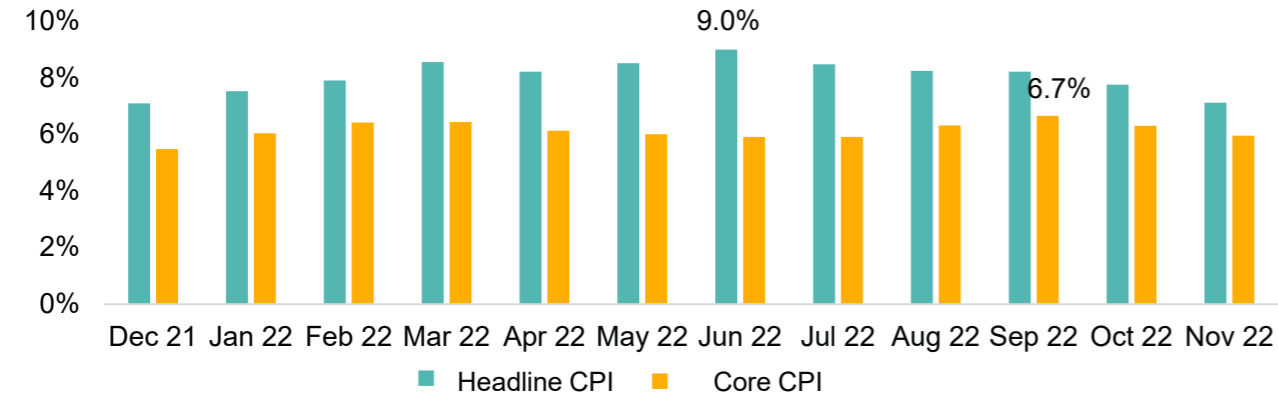
Source: FactSet

**Unemployment remains at pre-pandemic levels despite a slow down**



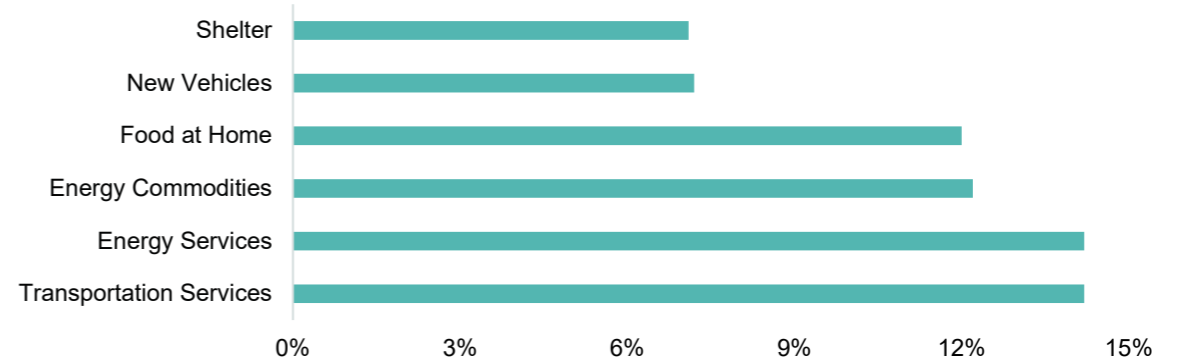
Source: FactSet, Federal Reserve Bank of St. Louis

**Inflation remained high through 2022 with headline CPI and core CPI peaking in June and September respectively**



Source: Federal Reserve Bank of St. Louis

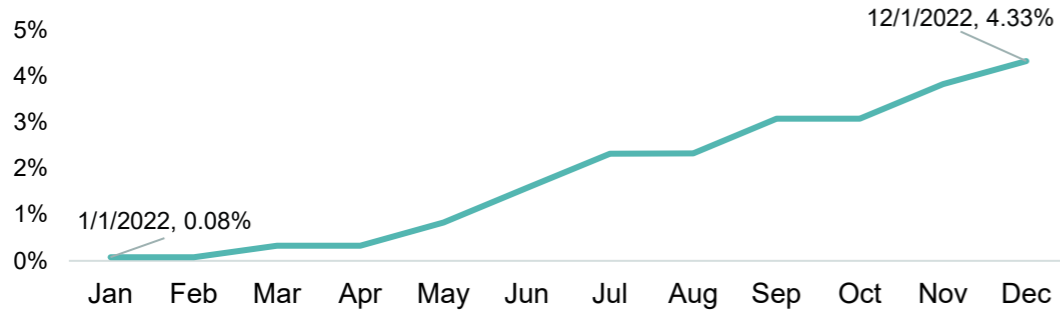
**Biggest contributors to CPI - 12 month change as of December 2022**



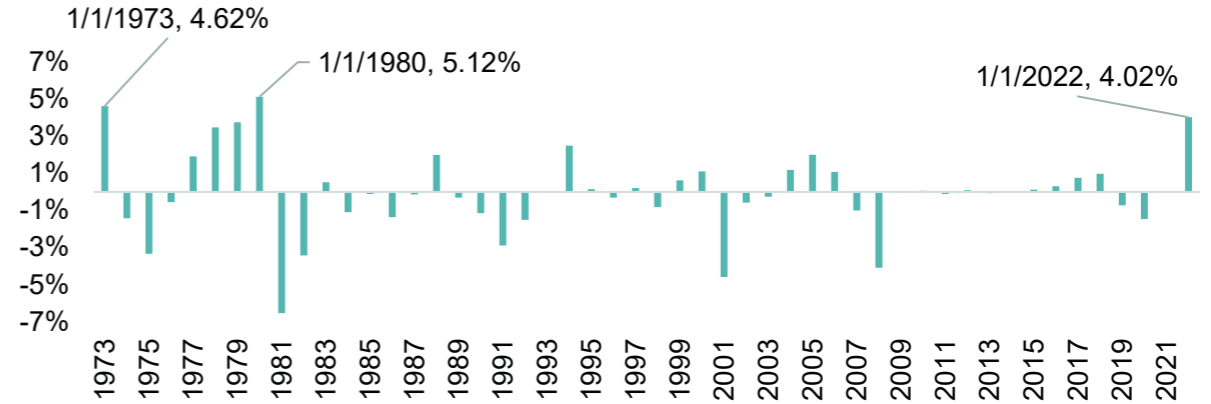
Source: Bureau of Labor Statistics

# Monetary policy - 2022

The Fed increased its policy rate seven consecutive times in 2022



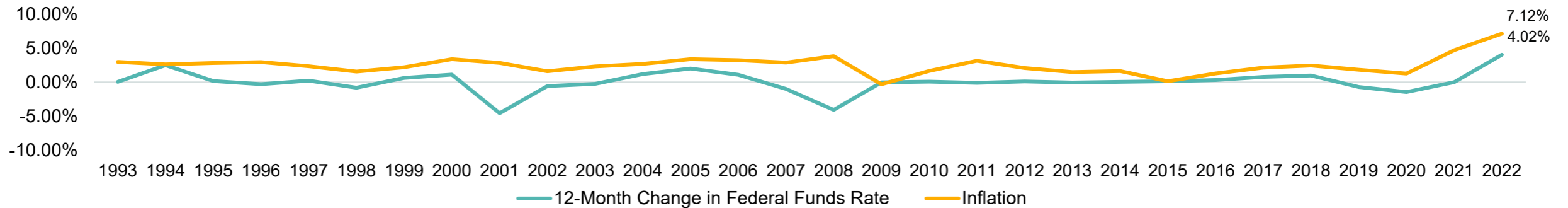
2022 rate hikes represented the third largest annual increase in the last 50 years



Source: FactSet

Source: FactSet, Federal Reserve Bank of St. Louis

As inflation reached historic levels The Fed responded with persistent policy rate increases

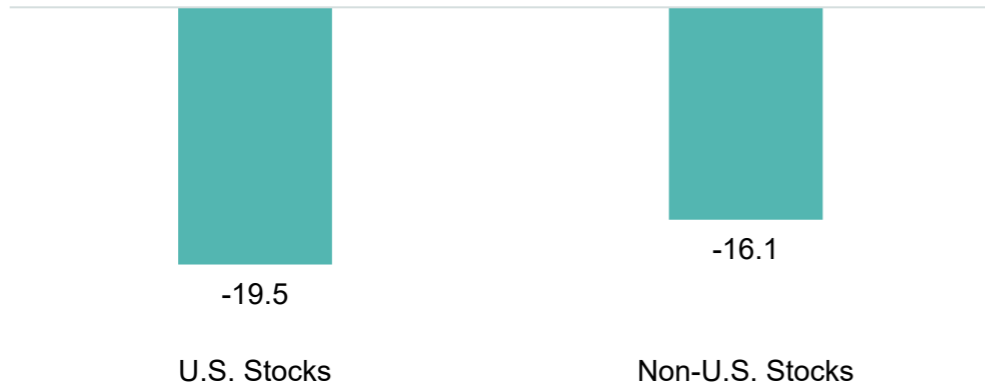


Source: FacetSet

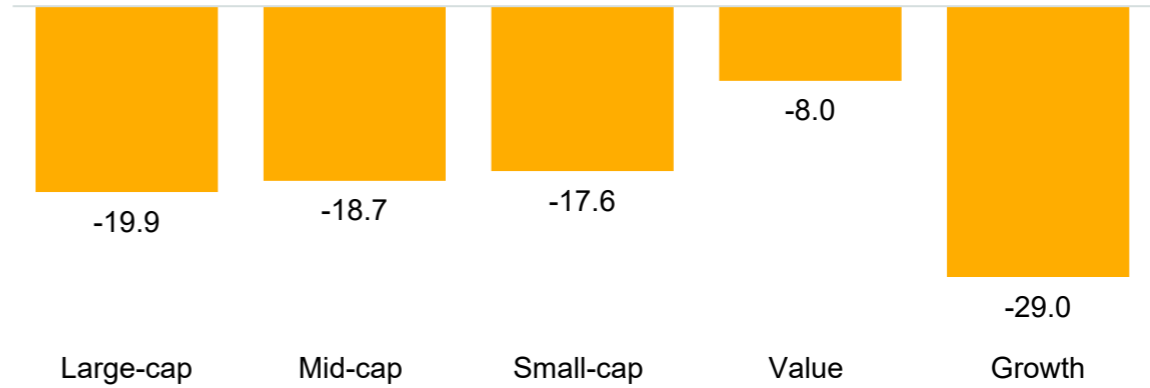
# Equity

# 2022 Equity year in review

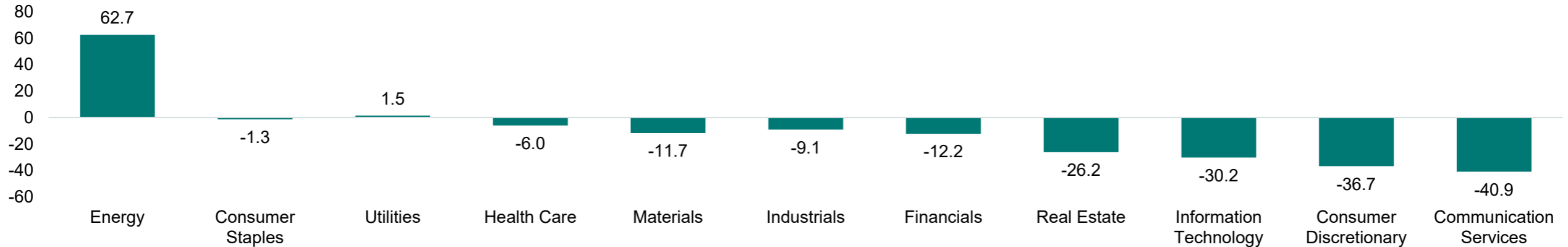
## Broad market returns



## Size and style return



## Sector returns

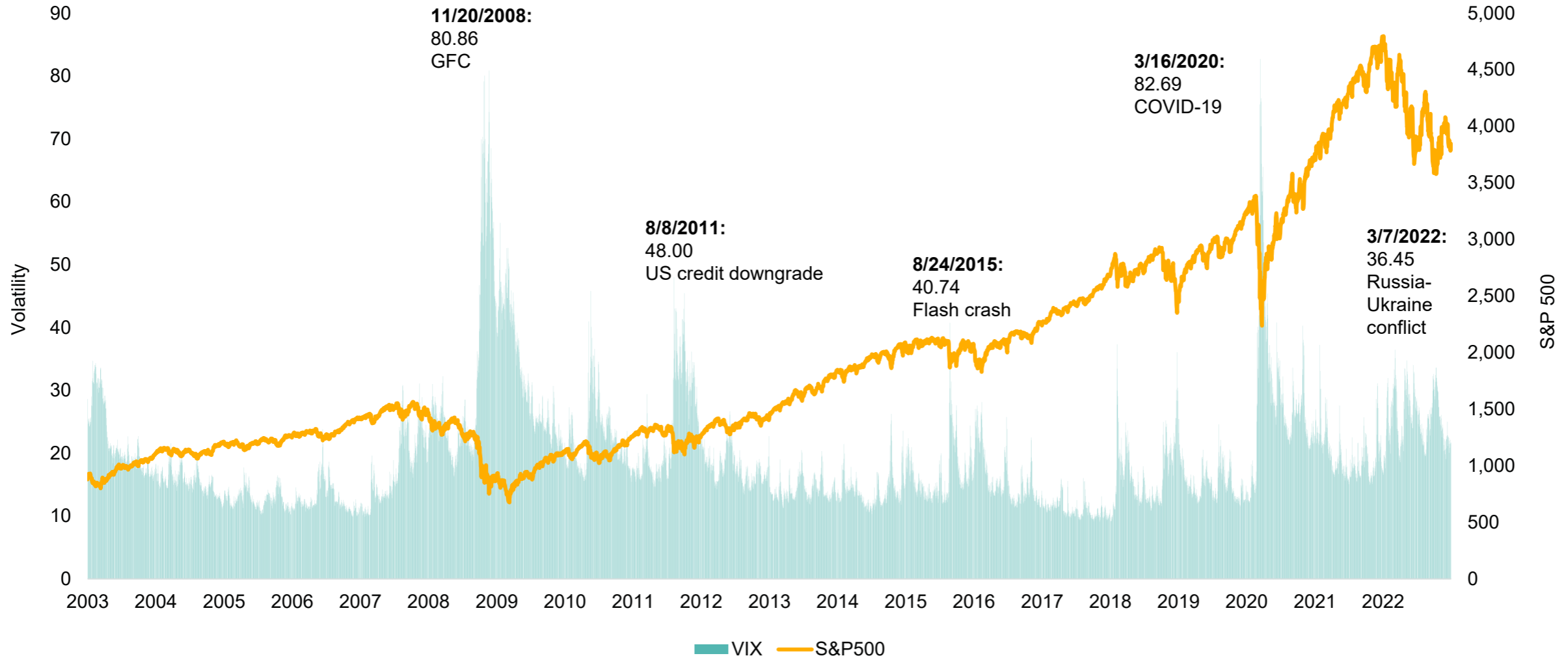


**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

Sources: FactSet and Vanguard as of December 31, 2022.

US Stocks represented by CRSP US Total Market, Non-US stocks represented by FTSE Global All-Cap ex-US Index. Large-cap stocks represented by CRSP US Mega Cap Index. Mid-cap stocks represented by CRSP US Mid Cap Index. Small-cap stocks represented by CRSP US Small Cap Index. Value stocks represented by Russell 3000 Value Index. Growth stocks represented by Russell 3000 Growth Index.

# Volatility and the S&P 500



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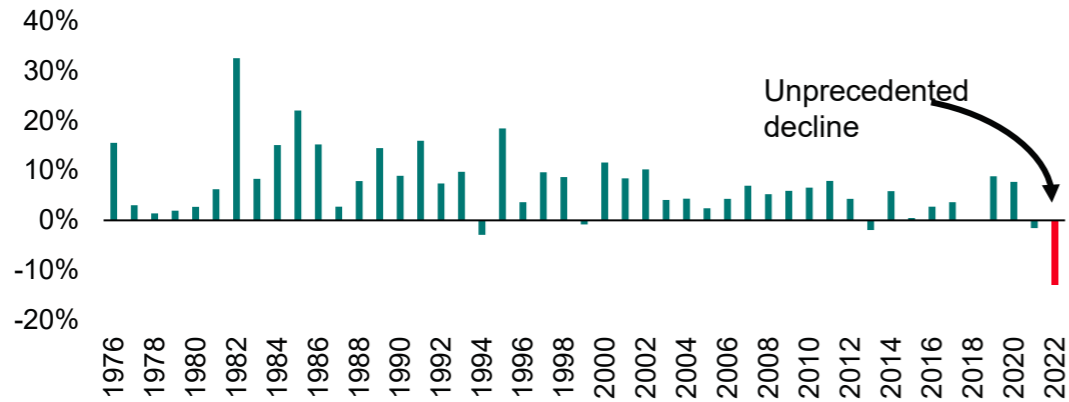
Source: FactSet. Daily data from 1/1/2003-12/31/2022 as of December 31, 2022. Volatility as measured by the VIX.

# Fixed Income

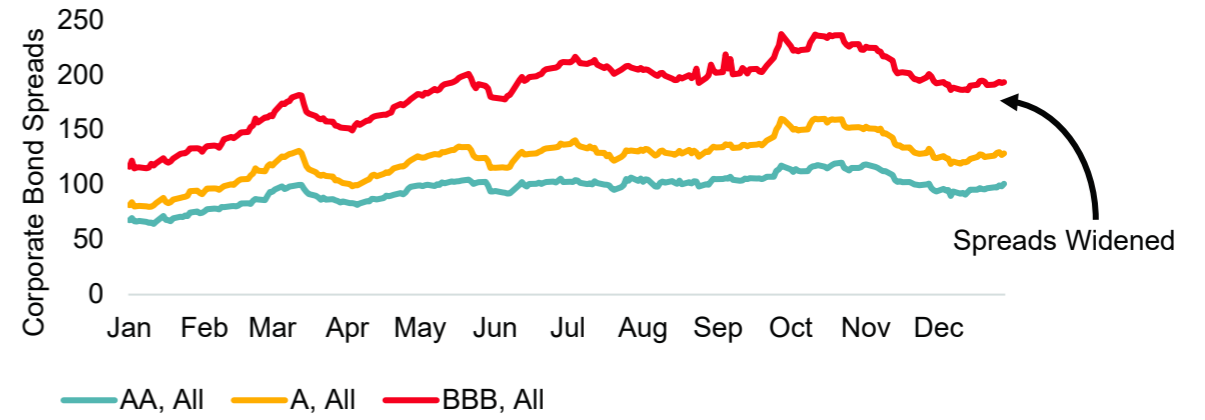


# 2022 Fixed income performance

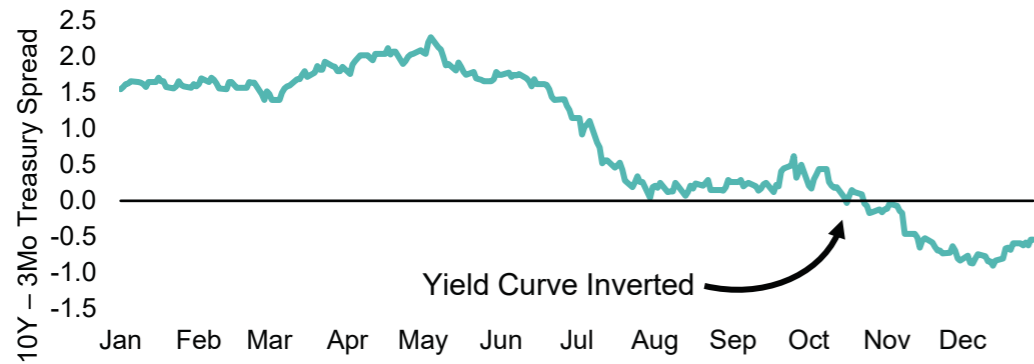
US bonds suffer one of the worst annual returns in history



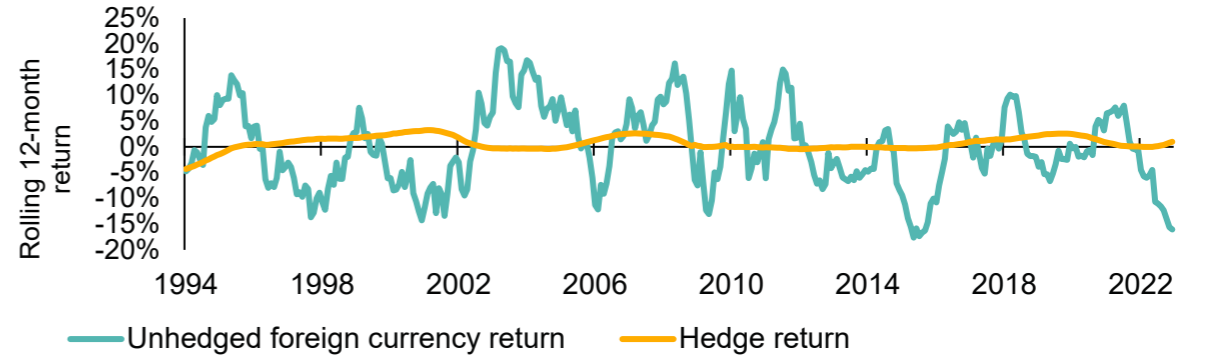
Worsening economic conditions from inflation and the Fed's fight to contain it pushed credit spreads higher though within historic averages



10-year/3-month Treasury spread negative since October 18<sup>th</sup>



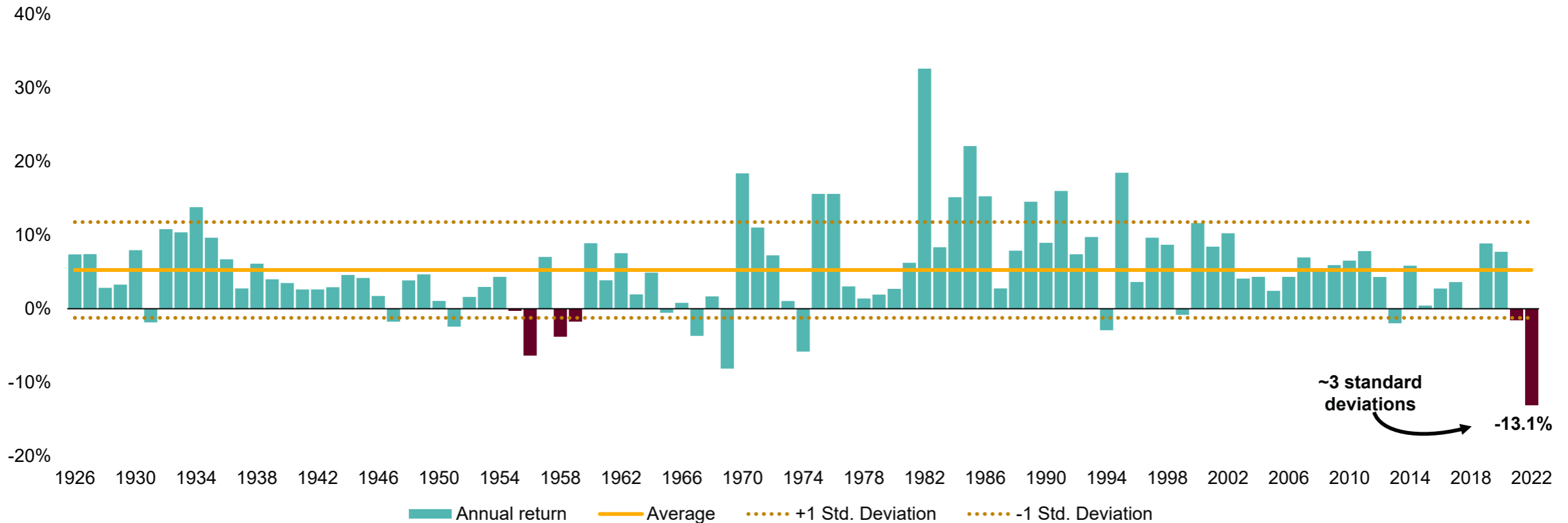
Currency return created significant downside volatility in unhedged portfolios



**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index**  
 Notes: "Hedge return" is defined here as the currency return for the Barclays Global Aggregate ex-USD index, hedged to US dollars. "Unhedged foreign currency return" is defined here as the currency return for the Barclays Global Aggregate ex-USD index, unhedged, in US dollars. Corporate Bond Spreads represent option-adjusted par spread over Treasuries from January 1, 2022 through December 31, 2022.  
 Sources: Vanguard calculations, based on data from Barclays and Federal Reserve Bank of St. Louis.

# Annual fixed income returns from 1926 through 2022

Negative fixed income returns in consecutive years are rare, only happening three times since 1926.



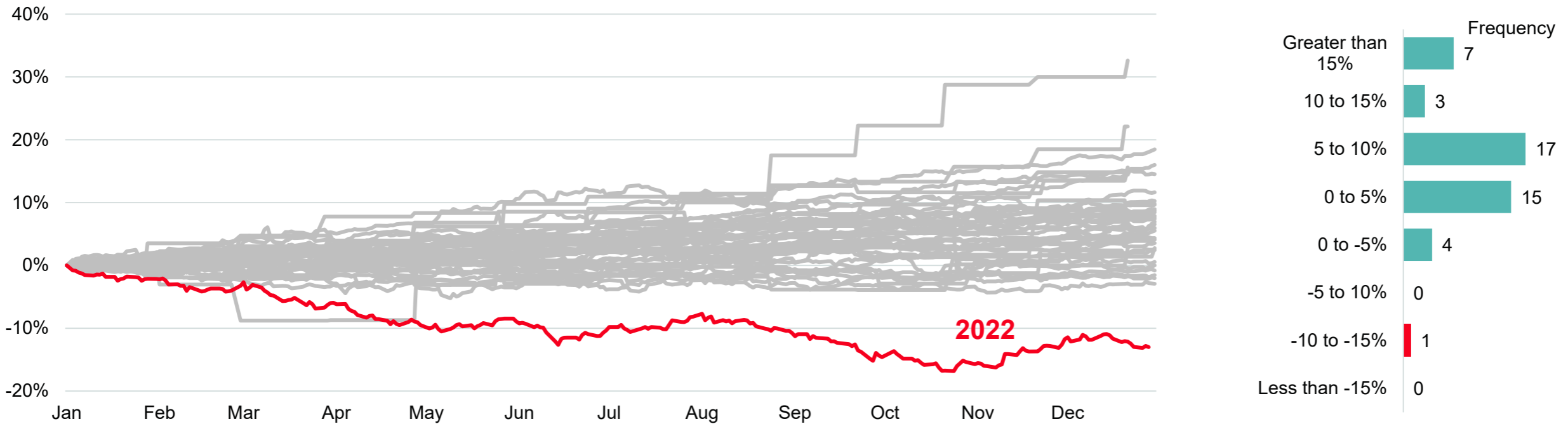
**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

Source: Vanguard as of 12/31/2022.

\* Fixed income is represented by Standard & Poor's High Grade Corporate Index from 1926 through 1968; Citigroup High Grade Index from 1969 through 1972; Lehman Brothers U.S. Long Credit AA Index 1973 through 1975; Bloomberg U.S. Aggregate Index 1976 through 2009; Spliced Bloomberg U.S. Aggregate Float Adjusted Index thereafter (BloomBarc U.S. Aggregate Bond Index through December 31, 2009; BloomBarc U.S. Aggregate Float Adjusted Index thereafter).

# U.S. Bloomberg Aggregate Bond Index from 1976-2022

- The Bloomberg Aggregate Index, in the face of inflation and an aggressive FED, is off to its worst start on record.
- Prior to 2022, the largest intra-year drawdown was in 1980, when the index dropped about -9% but fully recovered into year-end.
- While bonds have been hit hard so far in 2022, there is an upside to the down market in that while rising yields may detract from bonds' current prices, rising yields mean more income in the future as interest payments are reinvested in higher-interest bonds.



**Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index**

Source: Factset as of December 31, 2022

Chart illustrates annual total of the U.S. Bloomberg Aggregate Bond Index from 1976- Q32022

\*Assumes 2022's current performance holds through year-end.

# December 31, 2022 performance report

MiraCosta College Foundation – Endowment Portfolio

	Market Value (\$)	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>MiraCosta College Foundation – Endowment Portfolio</b>	<b>13,818,780</b>	<b>-3.78</b>	<b>7.81</b>	<b>-17.07</b>	<b>2.89</b>	<b>4.49</b>	<b>--</b>	<b>6.33</b>	<b>Jan-14</b>
<b>MiraCosta College Foundation – Endowment Portfolio (Net)</b>		<b>-3.78</b>	<b>7.75</b>	<b>-17.28</b>	<b>2.69</b>	<b>4.27</b>	<b>--</b>	<b>6.07</b>	
Composite Benchmark		-3.06	7.84	-16.59	2.88	4.54	--	6.38	Jan-14

- Composite Benchmark = 7.5% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged / 17.5% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 30% Spliced Total International Stock Index / 45% Spliced Total Stock Market Index

MiraCosta College Foundation – Excess Reserve Portfolio

	Market Value (\$)	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>MiraCosta College Foundation – Excess Reserve Portfolio</b>	<b>2,004,280</b>	<b>-2.90</b>	<b>5.56</b>	<b>-15.63</b>	<b>0.28</b>	<b>2.76</b>	<b>--</b>	<b>4.54</b>	<b>Mar-16</b>
<b>MiraCosta College Foundation – Excess Reserve Portfolio (Net)</b>		<b>-2.90</b>	<b>5.50</b>	<b>-15.84</b>	<b>0.08</b>	<b>2.54</b>	<b>--</b>	<b>4.31</b>	
Composite Benchmark		-2.40	5.67	-15.27	0.56	2.95	--	4.70	Mar-16

- Composite Benchmark = 30% Spliced Total Stock Market Index / 20% Spliced Total International Stock Index / 35% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 15% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any other security-level expenses.

Net of Fee returns reflect the deduction of fund expense ratios, any purchase or redemption fees, and VIAS advisory fee applied to the client portfolio.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

## Performance Summary (Gross of Advisory Fees) ending December 31, 2022

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	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>MiraCosta College Foundation – Endowment Portfolio</b>	<b>13,818,780</b>	<b>100.00</b>	<b>-3.78</b>	<b>7.81</b>	<b>-17.07</b>	<b>2.89</b>	<b>4.49</b>	<b>--</b>	<b>6.33</b>	<b>Jan-14</b>
<b>MiraCosta College Foundation – Endowment Portfolio (Net)</b>			<b>-3.78</b>	<b>7.75</b>	<b>-17.28</b>	<b>2.69</b>	<b>4.27</b>	<b>--</b>	<b>6.07</b>	
Composite Benchmark			-3.06	7.84	-16.59	2.88	4.54	--	6.38	Jan-14
<b>Total Equity</b>	<b>10,637,925</b>	<b>76.98</b>	<b>-4.52</b>	<b>9.86</b>	<b>-18.23</b>	<b>4.44</b>	<b>5.71</b>	<b>--</b>	<b>7.83</b>	<b>Jan-14</b>
<b>Equity Domestic</b>	<b>6,660,966</b>	<b>48.20</b>	<b>-5.87</b>	<b>7.16</b>	<b>-19.51</b>	<b>6.98</b>	<b>8.72</b>	<b>--</b>	<b>10.41</b>	<b>Jan-14</b>
Spliced Total Stock Market Index			-5.87	7.15	-19.49	6.99	8.73	12.09	10.42	Jan-14
<b>Equity International</b>	<b>3,976,959</b>	<b>28.78</b>	<b>-2.17</b>	<b>14.72</b>	<b>-15.98</b>	<b>0.53</b>	<b>1.10</b>	<b>--</b>	<b>3.50</b>	<b>Jan-14</b>
Spliced Total International Stock Index			-0.52	14.14	-16.10	0.52	1.10	4.20	3.52	Jan-14
<b>Total Fixed Income</b>	<b>3,180,856</b>	<b>23.02</b>	<b>-1.24</b>	<b>1.49</b>	<b>-12.93</b>	<b>-2.74</b>	<b>0.26</b>	<b>--</b>	<b>1.49</b>	<b>Jan-14</b>
<b>Fixed Income Domestic</b>	<b>2,226,262</b>	<b>16.11</b>	<b>-0.52</b>	<b>2.15</b>	<b>-12.93</b>	<b>-2.28</b>	<b>0.48</b>	<b>--</b>	<b>1.50</b>	<b>Jan-14</b>
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.45	1.85	-13.07	-2.67	0.06	1.08	1.27	Jan-14
<b>Fixed Income International</b>	<b>954,594</b>	<b>6.91</b>	<b>-2.89</b>	<b>-0.01</b>	<b>-12.92</b>	<b>-3.81</b>	<b>-0.24</b>	<b>--</b>	<b>1.55</b>	<b>Jan-14</b>
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-2.49	0.08	-12.72	-3.63	-0.04	1.91	1.78	Jan-14
<b>MiraCosta College Foundation – Excess Reserve Portfolio</b>	<b>2,004,280</b>	<b>100.00</b>	<b>-2.90</b>	<b>5.56</b>	<b>-15.63</b>	<b>0.28</b>	<b>2.76</b>	<b>--</b>	<b>4.54</b>	<b>Mar-16</b>
<b>MiraCosta College Foundation – Excess Reserve Portfolio (Net)</b>			<b>-2.90</b>	<b>5.50</b>	<b>-15.84</b>	<b>0.08</b>	<b>2.54</b>	<b>--</b>	<b>4.31</b>	
Composite Benchmark			-2.40	5.67	-15.27	0.56	2.95	--	4.70	Mar-16
<b>Total Equity</b>	<b>1,008,021</b>	<b>50.29</b>	<b>-4.48</b>	<b>9.93</b>	<b>-18.19</b>	<b>2.94</b>	<b>5.04</b>	<b>--</b>	<b>8.11</b>	<b>Mar-16</b>
<b>Equity Domestic</b>	<b>621,747</b>	<b>31.02</b>	<b>-5.87</b>	<b>7.16</b>	<b>-19.51</b>	<b>6.98</b>	<b>8.72</b>	<b>--</b>	<b>11.26</b>	<b>Mar-16</b>
Spliced Total Stock Market Index			-5.87	7.15	-19.49	6.99	8.73	12.09	11.26	Mar-16
<b>Equity International</b>	<b>386,274</b>	<b>19.27</b>	<b>-2.17</b>	<b>14.72</b>	<b>-15.98</b>	<b>0.53</b>	<b>1.10</b>	<b>--</b>	<b>5.25</b>	<b>Mar-16</b>
Spliced Total International Stock Index			-0.52	14.14	-16.10	0.52	1.10	4.20	5.26	Mar-16
<b>Total Fixed Income</b>	<b>996,259</b>	<b>49.71</b>	<b>-1.23</b>	<b>1.48</b>	<b>-12.88</b>	<b>-2.73</b>	<b>0.27</b>	<b>--</b>	<b>0.73</b>	<b>Mar-16</b>
<b>Fixed Income Domestic</b>	<b>696,977</b>	<b>34.77</b>	<b>-0.51</b>	<b>2.13</b>	<b>-12.86</b>	<b>-2.27</b>	<b>0.49</b>	<b>--</b>	<b>0.89</b>	<b>Mar-16</b>
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.45	1.85	-13.07	-2.67	0.06	1.08	0.52	Mar-16
<b>Fixed Income International</b>	<b>299,282</b>	<b>14.93</b>	<b>-2.89</b>	<b>-0.01</b>	<b>-12.92</b>	<b>-3.81</b>	<b>-0.24</b>	<b>--</b>	<b>0.34</b>	<b>Mar-16</b>
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-2.49	0.08	-12.72	-3.63	-0.04	1.91	0.56	Mar-16

Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any other security-level expenses.

Net of Fee returns reflect the deduction of fund expense ratios, any purchase or redemption fees, and VIAS advisory fee applied to the client portfolio.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

## Performance Summary (Gross of Advisory Fees) ending December 31, 2022

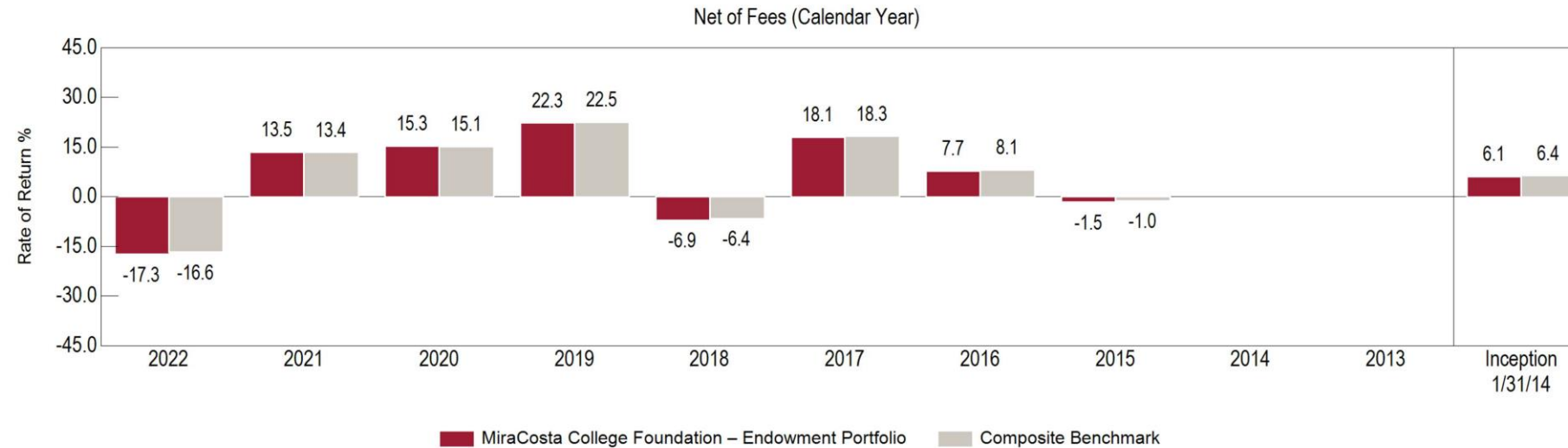
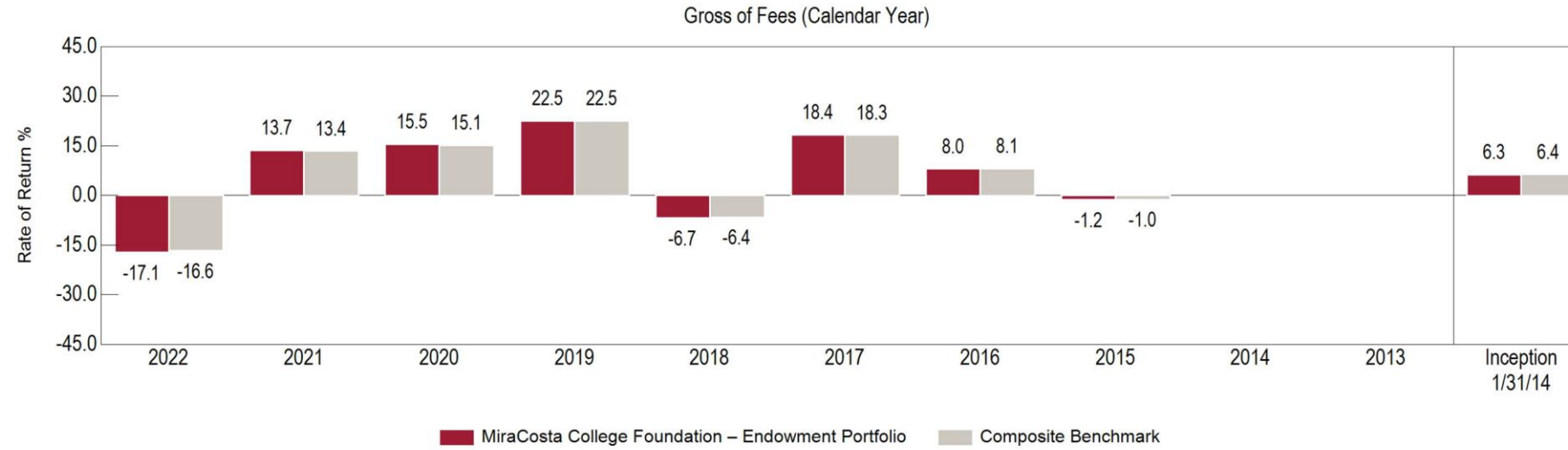
	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>MiraCosta College Foundation – Endowment Portfolio</b>	<b>13,818,780</b>	<b>100.00</b>	<b>-3.78</b>	<b>7.81</b>	<b>-17.07</b>	<b>2.89</b>	<b>4.49</b>	<b>--</b>	<b>6.33</b>	<b>Jan-14</b>
Composite Benchmark			-3.06	7.84	-16.59	2.88	4.54	--	6.38	Jan-14
<b>Total Equity</b>	<b>10,637,925</b>	<b>76.98</b>	<b>-4.52</b>	<b>9.86</b>	<b>-18.23</b>	<b>4.44</b>	<b>5.71</b>	<b>--</b>	<b>7.83</b>	<b>Jan-14</b>
<b>Equity Domestic</b>	<b>6,660,966</b>	<b>48.20</b>	<b>-5.87</b>	<b>7.16</b>	<b>-19.51</b>	<b>6.98</b>	<b>8.72</b>	<b>--</b>	<b>10.41</b>	<b>Jan-14</b>
Spliced Total Stock Market Index			-5.87	7.15	-19.49	6.99	8.73	12.09	10.42	Jan-14
Vanguard® Total Stock Market Index Institutional Shares	6,660,966	48.20	-5.87	7.16	-19.51	6.98	8.72	12.08	9.29	Sep-19
Spliced Total Stock Market Index			-5.87	7.15	-19.49	6.99	8.73	12.09	9.29	Sep-19
Multi-Cap Core Funds Average			-5.27	7.93	-17.93	5.77	6.82	9.96	7.84	Sep-19
<b>Equity International</b>	<b>3,976,959</b>	<b>28.78</b>	<b>-2.17</b>	<b>14.72</b>	<b>-15.98</b>	<b>0.53</b>	<b>1.10</b>	<b>--</b>	<b>3.50</b>	<b>Jan-14</b>
Spliced Total International Stock Index			-0.52	14.14	-16.10	0.52	1.10	4.20	3.52	Jan-14
Vanguard® Total International Stock Index Institutional Shares	3,976,959	28.78	-2.17	14.72	-15.98	0.53	1.12	4.09	-7.14	Mar-21
Spliced Total International Stock Index			-0.52	14.14	-16.10	0.52	1.10	4.20	-7.07	Mar-21
International Funds Average			-2.07	16.03	-17.59	0.40	1.00	4.13	-7.51	Mar-21
<b>Total Fixed Income</b>	<b>3,180,856</b>	<b>23.02</b>	<b>-1.24</b>	<b>1.49</b>	<b>-12.93</b>	<b>-2.74</b>	<b>0.26</b>	<b>--</b>	<b>1.49</b>	<b>Jan-14</b>
<b>Fixed Income Domestic</b>	<b>2,226,262</b>	<b>16.11</b>	<b>-0.52</b>	<b>2.15</b>	<b>-12.93</b>	<b>-2.28</b>	<b>0.48</b>	<b>--</b>	<b>1.50</b>	<b>Jan-14</b>
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.45	1.85	-13.07	-2.67	0.06	1.08	1.27	Jan-14
Vanguard® Total Bond Market Index Fund Admiral™ Shares	1,119,237	8.10	-0.60	1.67	-13.16	-2.75	-0.01	1.00	1.20	Jan-14
Spliced Bloomberg Barclays US Aggregate Float Adjusted Index			-0.45	1.85	-13.07	-2.67	0.06	1.08	1.27	Jan-14
Spliced Intermediate-Term Investment-Grade Debt Funds Average			-0.43	1.73	-13.54	-2.61	-0.06	0.95	1.11	Jan-14
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares	605,404	4.38	0.11	1.72	-5.75	-0.38	1.10	1.45	1.45	Jan-14
Bloomberg US Credit 1-5 Yr TR			0.11	1.78	-5.56	-0.41	1.26	1.54	1.53	Jan-14
1-5 Year Investment-Grade Debt Funds Average			0.25	1.24	-6.96	-1.11	0.42	0.75	0.76	Jan-14
Vanguard® Long-Term Investment-Grade Admiral Shares	256,943	1.86	-1.50	4.00	-25.55	-5.64	-0.95	2.32	-0.35	Jan-19
Bloomberg US Credit Long A+ TR			-1.13	4.48	-25.62	-5.98	-1.21	1.94	-0.62	Jan-19
Corporate A-Rated Debt Funds Average			-0.81	2.04	-16.32	-3.11	-0.08	1.39	-0.07	Jan-19

## Performance Summary (Gross of Advisory Fees) ending December 31, 2022

	Market Value (\$)	% of Portfolio	1 Mo (%)	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares	244,678	1.77	-0.66	3.49	-13.78	-2.00	0.69	1.77	1.94	Jan-14
Bloomberg US Credit 5-10 Yr TR			-0.37	3.63	-13.74	-2.40	0.84	2.06	2.35	Jan-14
Spliced Core Bond Funds Average			-0.43	1.73	-13.54	-2.61	-0.06	0.95	1.11	Jan-14
<b>Fixed Income International</b>	<b>954,594</b>	<b>6.91</b>	<b>-2.89</b>	<b>-0.01</b>	<b>-12.92</b>	<b>-3.81</b>	<b>-0.24</b>	<b>--</b>	<b>1.55</b>	<b>Jan-14</b>
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-2.49	0.08	-12.72	-3.63	-0.04	1.91	1.78	Jan-14
Vanguard® Total International Bond Index Fund Adm™ Shares	954,594	6.91	-2.89	-0.01	-12.92	-3.81	-0.24	--	1.55	Jan-14
Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged			-2.49	0.08	-12.72	-3.63	-0.04	1.91	1.78	Jan-14
International Income Funds Average			0.12	5.53	-14.20	-4.84	-2.08	-0.78	-0.45	Jan-14



## Total Portfolio Performance



Gross of Advisory Fee returns reflect the deduction of fund expense ratios and any other security-level expenses.

Net of Fee returns reflect the deduction of fund expense ratios, any purchase or redemption fees, and VIAS advisory fee applied to the client portfolio.

Returns greater than one year represent annualized returns. Returns less than one year represent cumulative returns.

MiraCosta College Foundation – Endowment Portfolio

	<b>Last Month</b>	<b>Last Three Months</b>	<b>Year-To-Date</b>	<b>One Year</b>
Beginning Market Value	\$14,362,093	\$12,825,635	\$16,668,275	\$16,668,275
Net Cash Flow	\$0	-\$8,016	-\$5,655	-\$5,655
Capital Appreciation	-\$633,134	\$898,334	-\$3,146,165	-\$3,146,165
Income	\$89,822	\$102,827	\$302,325	\$302,325
Ending Market Value	\$13,818,780	\$13,818,780	\$13,818,780	\$13,818,780

MiraCosta College Foundation – Excess Reserve Portfolio

	<b>Last Month</b>	<b>Last Three Months</b>	<b>Year-To-Date</b>	<b>One Year</b>
Beginning Market Value	\$2,064,046	\$1,900,055	\$2,381,628	\$2,381,628
Net Cash Flow	\$0	-\$1,188	-\$5,334	-\$5,334
Capital Appreciation	-\$70,515	\$90,613	-\$416,666	-\$416,666
Income	\$10,749	\$14,799	\$44,652	\$44,652
Ending Market Value	\$2,004,280	\$2,004,280	\$2,004,280	\$2,004,280

## Investment Expense Analysis as of December 31, 2022

Name	Market Value	% of Portfolio	Expense Ratio
<b>Total Equity</b>	<b>\$10,637,925</b>	<b>77.0%</b>	
<b>Equity Domestic</b>	<b>\$6,660,966</b>	<b>48.2%</b>	
Vanguard® Total Stock Market Index Institutional Shares	\$6,660,966	48.2%	0.030%
<b>Equity International</b>	<b>\$3,976,959</b>	<b>28.8%</b>	
Vanguard® Total International Stock Index Institutional Shares	\$3,976,959	28.8%	0.080%
<b>Total Fixed Income</b>	<b>\$3,180,856</b>	<b>23.0%</b>	
<b>Fixed Income Domestic</b>	<b>\$2,226,262</b>	<b>16.1%</b>	
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares	\$244,678	1.8%	0.100%
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares	\$605,404	4.4%	0.100%
Vanguard® Total Bond Market Index Fund Admiral™ Shares	\$1,119,237	8.1%	0.050%
Vanguard® Long-Term Investment-Grade Admiral Shares	\$256,943	1.9%	0.120%
<b>Fixed Income International</b>	<b>\$954,594</b>	<b>6.9%</b>	
Vanguard® Total International Bond Index Fund Adm™ Shares	\$954,594	6.9%	0.110%
<b>Total</b>	<b>\$13,818,780</b>	<b>100.0%</b>	<b>0.058%</b>

## Benchmark History as of December 31, 2022

MiraCosta College Foundation – Endowment Portfolio		
6/1/2015	Present	7.5% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged / 17.5% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 30% Spliced Total International Stock Index / 45% Spliced Total Stock Market Index
2/1/2014	5/31/2015	5% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged / 20% Bloomberg US Aggregate Float Adjusted TR / 53% CRSP US Total Market TR USD / 22% Spliced Total International Stock Index
Total Equity		
N/A		
Equity Domestic		
1/31/2014	Present	100% CRSP US Total Market TR USD
Vanguard® Total Stock Market Index Institutional Shares		
9/30/2019	Present	100% CRSP US Total Market TR USD
Equity International		
1/31/2014	Present	100% FTSE Global All-Cap ex-US Index
Vanguard® Total International Stock Index Institutional Shares		
3/31/2021	Present	100% FTSE Global All-Cap ex-US Index
Total Fixed Income		
N/A		
Fixed Income Domestic		
1/31/2014	Present	100% Bloomberg US Aggregate Float Adjusted TR
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares		
1/31/2014	Present	Bloomberg US Credit 5-10 Yr TR
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares		
1/31/2014	Present	Bloomberg US Credit 1-5 Yr TR
Vanguard® Total Bond Market Index Fund Admiral™ Shares		
1/31/2014	Present	100% Bloomberg US Aggregate Float Adjusted TR
Vanguard® Long-Term Investment-Grade Admiral Shares		

## Benchmark History as of December 31, 2022

1/31/2019 Present Bloomberg US Credit Long A+ TR

Fixed Income International

1/31/2014 Present Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

Vanguard® Total International Bond Index Fund Adm™ Shares

1/31/2014 Present Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

## Benchmark History as of December 31, 2022

MiraCosta College Foundation – Excess Reserve Portfolio		
4/1/2021	Present	30% Spliced Total Stock Market Index / 20% Spliced Total International Stock Index / 35% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 15% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged
4/1/2016	3/31/2021	25% Spliced Total Stock Market Index / 15% Spliced Total International Stock Index / 10% MSCI ACWI Min Vol Net Total Ret Idx / 35% Spliced Bloomberg Barclays US Aggregate Float Adjusted Index / 15% Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged
Total Equity		
N/A		
Equity Domestic		
3/31/2016	Present	100% CRSP US Total Market TR USD
Vanguard® Total Stock Market Index Institutional Shares		
9/30/2019	Present	100% CRSP US Total Market TR USD
Equity International		
3/31/2016	Present	100% FTSE Global All-Cap ex-US Index
Vanguard® Total International Stock Index Institutional Shares		
3/31/2021	Present	100% FTSE Global All-Cap ex-US Index
Total Fixed Income		
N/A		
Fixed Income Domestic		
3/31/2016	Present	100% Bloomberg US Aggregate Float Adjusted TR
Vanguard® Short-Term Investment-Grade Fund Adm™ Shares		
3/31/2016	Present	Bloomberg US Credit 1-5 Yr TR
Vanguard® Inter-Term Investment-Grade Fund Adm™ Shares		
3/31/2016	Present	Bloomberg US Credit 5-10 Yr TR
Vanguard® Total Bond Market Index Fund Admiral™ Shares		
3/31/2016	Present	100% Bloomberg US Aggregate Float Adjusted TR
Vanguard® Long-Term Investment-Grade Admiral Shares		

## Benchmark History as of December 31, 2022

1/31/2019 Present Bloomberg US Credit Long A+ TR

Fixed Income International

3/31/2016 Present Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

Vanguard® Total International Bond Index Fund Adm™ Shares

3/31/2016 Present Bloomberg Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Hedged

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Total Portfolio returns represent client-specific time-weighted returns (TWR) are presented gross of any applicable service fees with the exception of mutual fund expense ratios and other security-level expenses.

Internal rates of return (IRR) are net of any applicable service fees, include account-specific cash flows, and are not directly comparable to a benchmark, since benchmarks do not include cash flows.

Client performance inception date is generally the first month-end after initial funding. Mutual funds and all investments are subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.

Performance figures assume the reinvestment of dividends and capital gains distributions. The fund performance percentages are based on fund total return data, adjusted for expenses, obtained from Lipper, a Thomson Reuters Company. The total return data was not adjusted for fees and loads.

Benchmark comparative indexes represent unmanaged or average returns on various financial assets, which can be compared with funds' total returns for the purpose of measuring relative performance.

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# Vanguard economic and market outlook for 2023: Beating back inflation

December 2022

Vanguard Research

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# 2023 outlook at a glance

## Asset-class return outlooks

Our ten-year annualized nominal return projections, as of September 30, 2022, are shown below. Please note the figures are based on a 2-point range around the 50th percentile of the distribution of return outcomes for equities and a 1-point range around the 50th percentile for fixed income.

### U.S. equities

**4.7%–6.7%**

17.4% median volatility

### U.S. aggregate bonds

**4.1%–5.1%**

5.6% median volatility

### Global equities ex-U.S. (unhedged)

**7.4%–9.4%**

18.8% median volatility

### Global bonds ex- U.S. (hedged)

**4.0%–5.0%**

4.4% median volatility

These probabilistic return assumptions depend on market conditions at the time of running of the VCMM and, as such, change with each running over time..

**IMPORTANT: The projections or other information generated by the Vanguard Capital Markets Model® regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from the VCMM are derived from 10,000 simulations for each modeled asset class. Simulations are as of September 30, 2022. Results from the model may vary with each use and over time. For more information, see Important information page.**

Source: Vanguard Investment Strategy Group.

# Vanguard's economic forecasts

Country/ region	GDP growth*			Unemployment rate			Headline inflation†		Monetary policy		
	2023			2023			2023		Year-end 2022	Year-end 2023	Neutral rate
	Vanguard	Consensus	Trend	Vanguard	Consensus	NAIRU	Vanguard	Consensus			
<b>U.S.</b>	0.25%	0.9%	1.8%	5%	4.4%	3.5%–4%	3%	2.4%	4.25%	5%	2.5%
<b>Euro area</b>	0%	0.2%	1.2%	7.4%	7.1%	6.5%–7%	6.0%	5.8%	2%	2.5%	1.5%
<b>U.K.</b>	-1.1%	-0.8%	1.7%	4.7%	4.4%	3.5%–4%	6.3%	6.8%	3.5%	4.5%	2.5%
<b>China‡</b>	4.5%	5%	4.3%	4.7%	N/A	5%	2.2%	2.3%	2.65%	2.6%	4.5%

\* For the U.S., GDP growth is defined as the year-over-year change in fourth-quarter gross domestic product. For all other countries/regions, it is defined as the annual change in total GDP in the forecast year compared with the previous year.

† For the U.S., headline inflation is defined as year-over-year changes in this year's fourth-quarter Personal Consumption Expenditures (PCE) Price Index compared with last year. For all other countries/regions, it is defined as the average annual change in headline Consumer Price Index (CPI) inflation in the forecast year compared with the previous year. Consensus for the U.S. is based on Bloomberg ECFC consensus estimates.

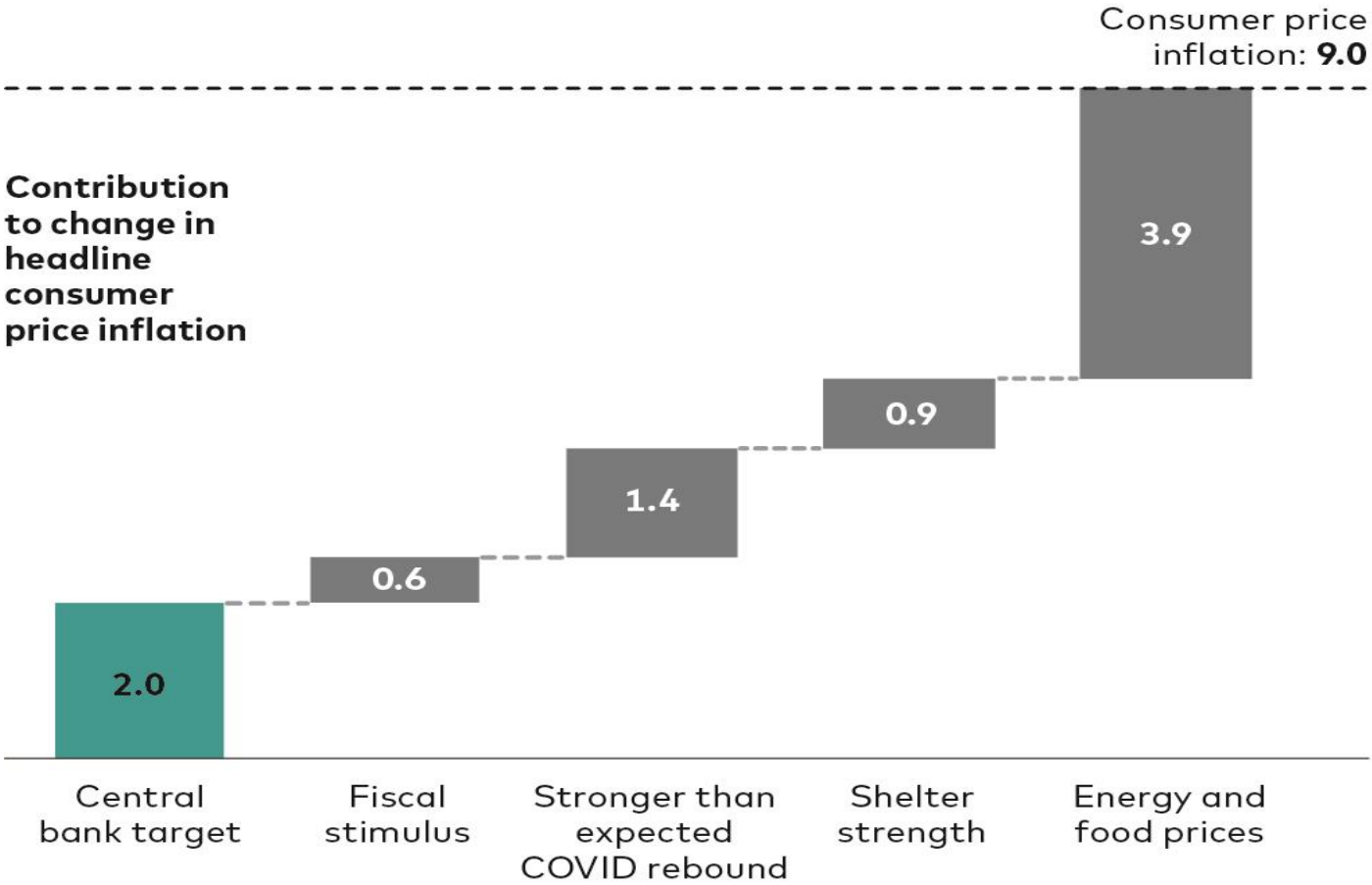
‡ China's policy rate is the one-year medium-term lending facility (MLF) rate.

Notes: Forecasts, which may have been updated from earlier outlooks, are as of November 30, 2022. NAIRU stands for non-accelerating inflation rate of unemployment. The neutral rate is the interest rate that would be neither expansionary or contractionary when the economy is at full employment and stable inflation. This table displays our median neutral rate estimates with an effective range of +/- 1 percentage point.

Source: Vanguard.

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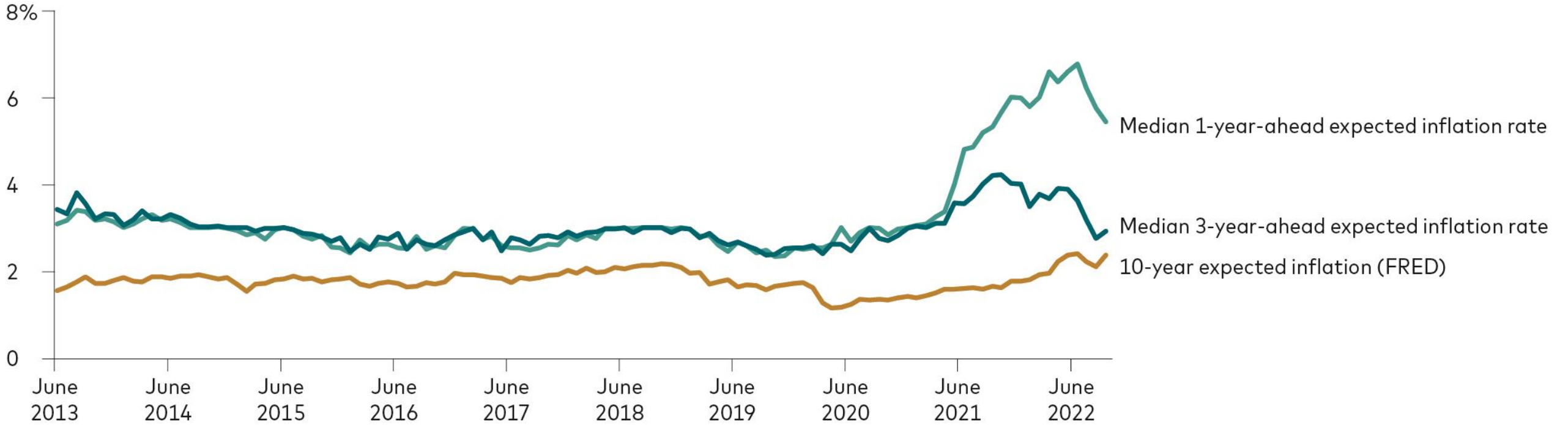
# Global inflation has been driven by a multitude of factors



Notes: This decomposition of inflation into each of the subcategories is based on subjective analysis of our latest inflation forecast for year-end 2022 compared with expectations at the start of 2021. Shelter inflation is the component that captures the effect of shelter costs in the overall CPI. Shelter includes prices for both renters and homeowners. For renters, shelter inflation measures rent, temporary lodging away from home, and utility payments. For homeowners, the U.S. Bureau of Labor Statistics calculates what it would cost to rent a similar house. Values in the figure reflect rounding.

Sources: Vanguard calculations, based on data from Moody's, Refinitiv, and Bloomberg, as of October 31, 2022.

# Long-term inflation expectations have remained anchored



Notes: Global inflation expectations were calculated for G7 countries based on GDP weights. Subcomponent contributions were calculated on a GDP-weighted basis. For CPI subcomponent weights at the country level, 2021 weights were used for the U.S., the U.K., the European Union, and Canada; 2020 weights were used for Japan. West Texas Intermediate (WTI) spot data were used for oil prices, and WTI forward prices were used for forecast estimates.

Sources: Survey of Consumer Expectations, Federal Reserve Bank of New York, and Federal Reserve Bank of St. Louis FRED database.

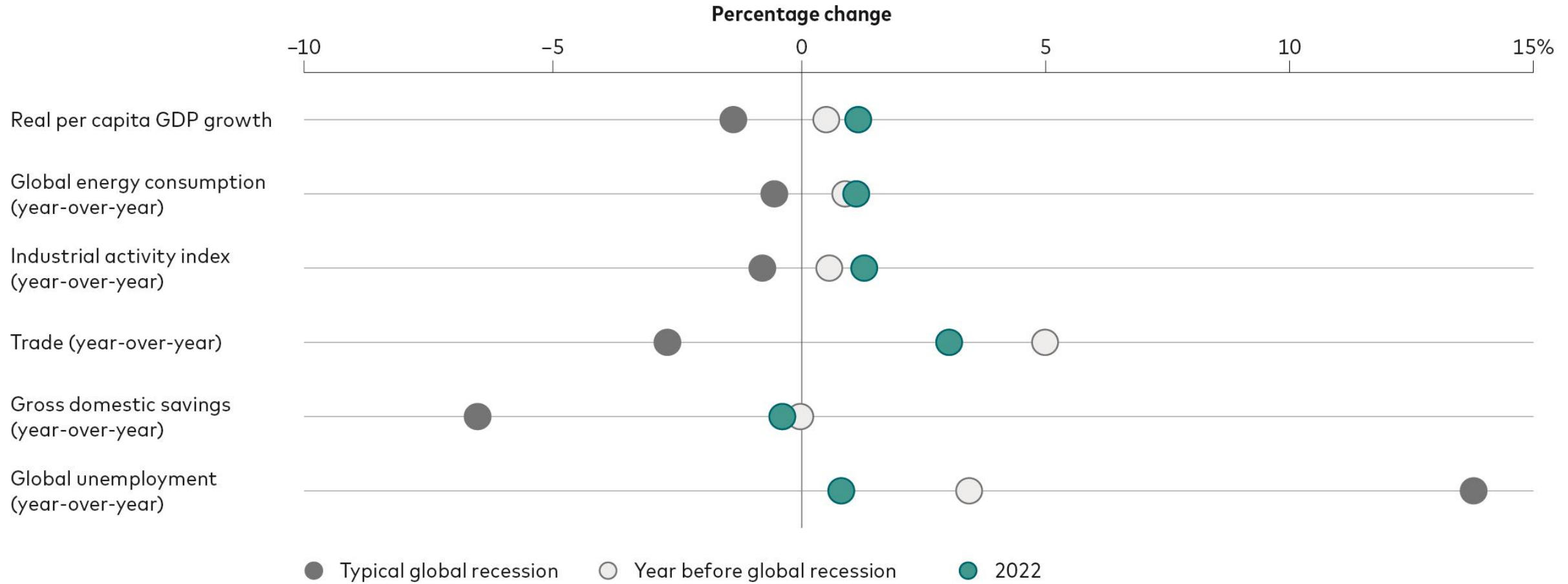
# Near-term recession risk is elevated across major developed markets

	Probability of recession by end of 2023	Drivers/key risks
<b>United States</b>	90%	<ul style="list-style-type: none"> <li>• Federal Reserve tightening path</li> <li>• Inflation eroding consumer purchasing power</li> </ul>
<b>Euro area</b>	90%	<ul style="list-style-type: none"> <li>• Ukraine war impact including energy crisis</li> <li>• Inflation eroding consumer purchasing power</li> <li>• European Central Bank tightening path</li> </ul>
<b>United Kingdom</b>	90%	<ul style="list-style-type: none"> <li>• Bank of England tightening path</li> <li>• Inflation eroding consumer purchasing power</li> </ul>

Source: Vanguard, as of September 30, 2022.

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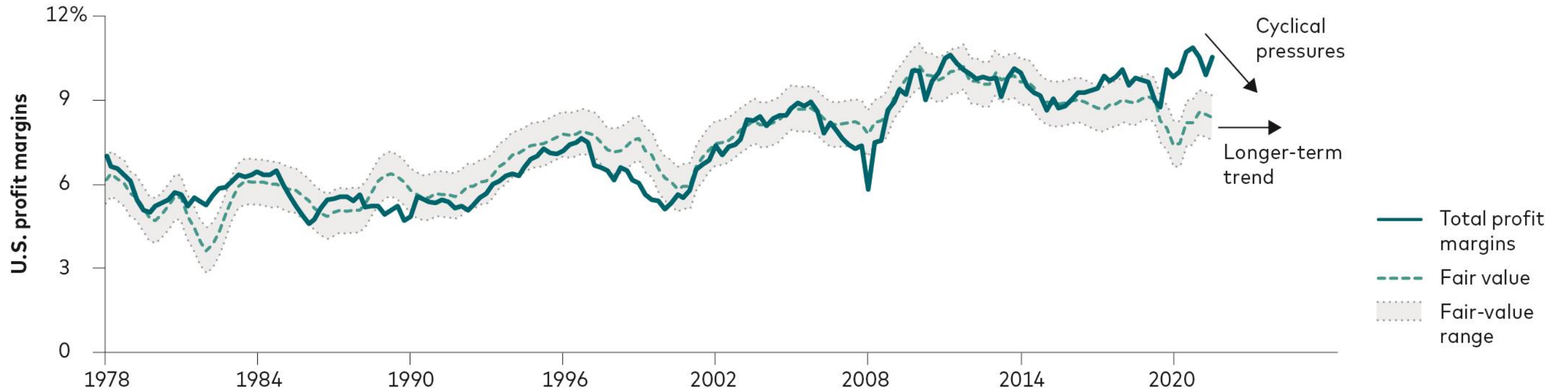
# Comparison: Global recessions versus now



Notes: Global recession years were 1975, 1982, 1991, 2009, and 2020. Year before includes the year before each, excluding 2019. Vanguard calculations are as of October 31, 2022. The typical global recession reflects the median result for each category in the global recession years.

Sources: World Bank, British Petroleum Statistical Review of World Energy, OECD, Federal Reserve Bank of St. Louis FRED database, OeNB, CPB Netherlands Bureau for Economic Policy Analysis, UNCTAD, and Our World in Data, as of October 31, 2022. Global unemployment data and years of global recession are from Kose, Sugawara, and Terrones (2020).

# U.S. profit margins may face near-term cyclical pressure but should remain above long-term averages

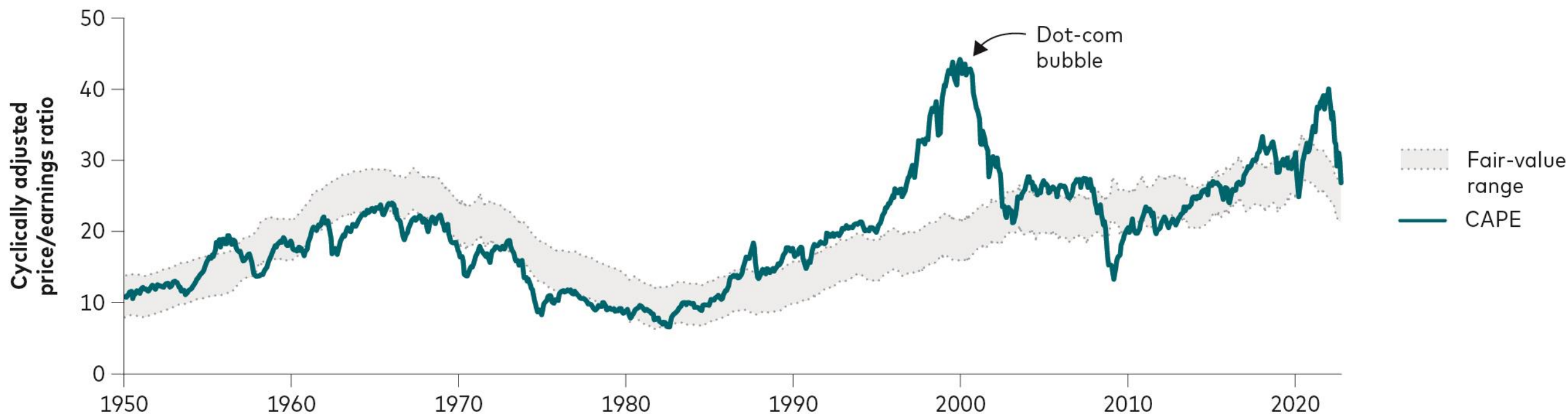


Notes: Profit margins are broken into their cyclical and trend components and forecasted using an Ordinary Least Squares (OLS) regression model with trade intensity (sum of imports and exports) and labor costs as the independent variables. We expect higher productivity to drive higher profit margins given the linear relationship between productivity and profit margins and our view for higher productivity based on our proprietary Idea Multiplier. For more information on the Idea Multiplier, see *The Idea Multiplier: An Acceleration in Innovation Is Coming* (Davis et al., 2019).

Sources: Vanguard calculations, based on data from Refinitiv, as of June 30, 2022.



# U.S. equity valuations are more attractive than they were a year ago

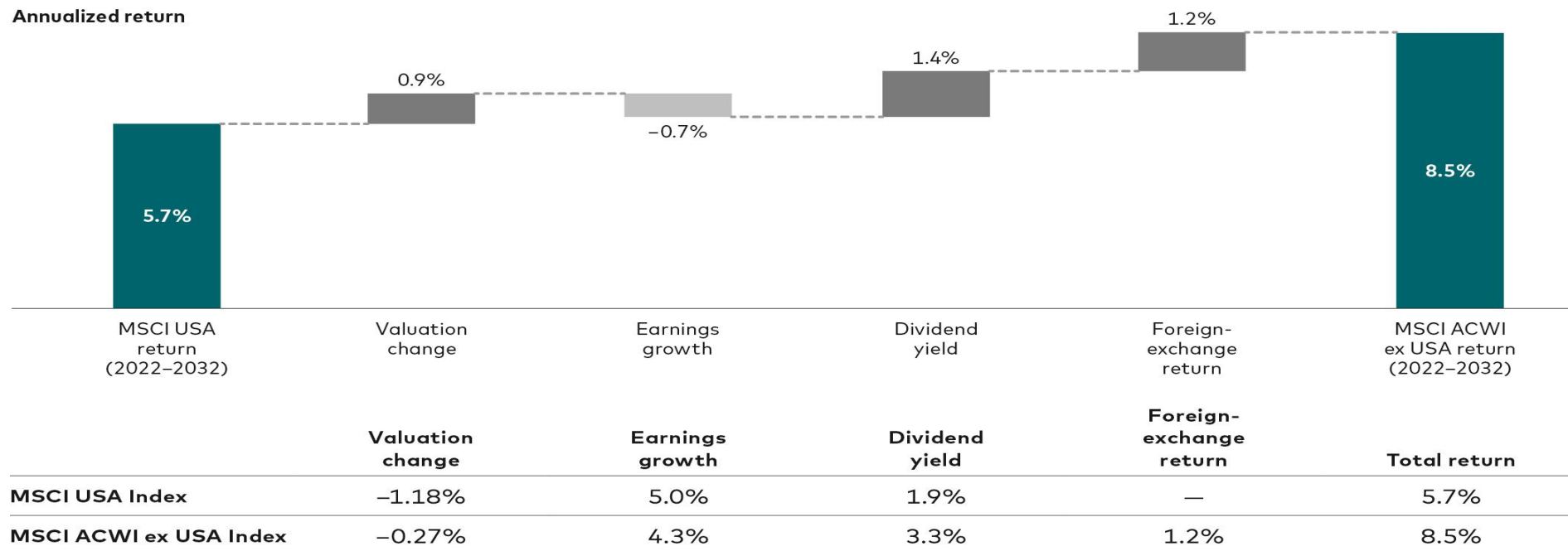


Notes: The U.S. fair-value cyclically adjusted price/earnings ratio (CAPE) is based on a statistical model that corrects CAPE measures for the level of inflation and interest rates. The statistical model specification is a three-variable vector error correction model including equity-earnings yields, 10-year trailing inflation, and 10-year U.S. Treasury yields estimated from January 1940 to September 30, 2022. Details were published in Davis (2017). A declining fair-value CAPE suggests that higher equity-risk premium (ERP) compensation is required, whereas a rising fair-value CAPE suggests that the ERP is compressing.

Sources: Vanguard calculations, based on data from Robert Shiller's website, at [aida.wss.yale.edu/~shiller/data.htm](http://aida.wss.yale.edu/~shiller/data.htm), the U.S. Bureau of Labor Statistics, the Federal Reserve Board, Refinitiv, FTSE Russell, FactSet, Barclays Live, and Global Financial Data, as of September 30, 2022.

# Since relative valuations have improved, a weaker dollar is becoming a more important driver of expected international equity outperformance

Annualized return



Notes: Forward-looking return estimates are from the VCMM, as of September 30, 2022, for the period October 1, 2022, through September 30, 2032. The U.S. equity return is represented by the MSCI USA Index return; the international equity return is represented by the MSCI ACWI ex USA Index return. Returns do not take into account management fees and expenses, nor do they reflect the effect of taxes. Returns do reflect reinvestment of dividends and capital gains. The two end bars representing U.S. and international expected returns are median expectations. As a result, this comparison does not account for the correlation between U.S. and international equities. The sum of the individual bars in the middle may not equal the difference between the two end bars because of rounding.

Sources: Vanguard calculations, based on data from Refinitiv and Global Financial Data, as of September 30, 2022.

**IMPORTANT: The projections and other information generated by the VCMM regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from VCMM are derived from 10,000 simulations for each modeled asset class. Simulations as of September 30, 2022. Results from the model may vary with each use and over time.**

# Indexes for VCMM simulations

The long-term returns of our hypothetical portfolios are based on data for the appropriate market indexes through September 30, 2022. We chose these benchmarks to provide the most complete history possible, and we apportioned the global allocations to align with Vanguard's guidance in constructing diversified portfolios. Asset classes and their representative forecast indexes are as follows:

**U.S. equities:** MSCI US Broad Market Index.

**Global ex-U.S. equities:** MSCI All Country World ex USA Index.

**U.S. REITs:** FTSE/NAREIT US Real Estate Index.

**U.S. cash:** U.S. 3-Month Treasury—constant maturity.

**U.S. Treasury bonds:** Bloomberg U.S. Treasury Index.

**U.S. short-term Treasury bonds:** Bloomberg U.S. 1–5 Year Treasury Bond Index.

**U.S. long-term Treasury bonds:** Bloomberg U.S. Long Treasury Bond Index.

**U.S. credit bonds:** Bloomberg U.S. Credit Bond Index.

**U.S. short-term credit bonds:** Bloomberg U.S. 1–3 Year Credit Bond Index.

**U.S. high-yield corporate bonds:** Bloomberg U.S. High Yield Corporate Bond Index.

**U.S. bonds:** Bloomberg U.S. Aggregate Bond Index.

**Global ex-U.S. bonds:** Bloomberg Global Aggregate ex-USD Index.

**U.S. TIPS:** Bloomberg U.S. Treasury Inflation Protected Securities Index.

**U.S. short-term TIPS:** Bloomberg U.S. 1–5 Year Treasury Inflation Protected Securities Index.

**Emerging-market sovereign bonds:** Bloomberg Emerging Markets USD Aggregate Bond Index.

**Commodities:** Bloomberg Commodity Index.

**Mortgage-backed securities (MBS):** Bloomberg U.S. Mortgage Backed Securities Index.

All equity indexes below are weighted by market capitalization:

**Small-cap equities:** Stocks with a market cap in the lowest two-thirds of the Russell 3000 Index.

**Large-cap equities:** Stocks with a market cap in the highest one-third of the Russell 1000 Index.

**Growth equities:** Stocks with a price/book ratio in the highest one-third of the Russell 1000 Index.

**Value equities:** Stocks with a price/book ratio in the lowest one-third of the Russell 1000 Index.

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***Vanguard ETF® Shares are not redeemable with the issuing fund other than in very large aggregations worth millions of dollars. Instead, investors must buy or sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.***

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Investments in bond funds are subject to the risk that an issuer will fail to make payments on time and that bond prices will decline because of rising interest rates or negative perceptions of an issuer's ability to make payments. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized through the fund's trading or through your own redemption of shares. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal Alternative Minimum Tax. Diversification does not ensure a profit or protect against a loss. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

While U.S. Treasury or government agency securities provide substantial protection against credit risk, they do not protect investors against price changes due to changing interest rates. Unlike stocks and bonds, U.S. Treasury bills are guaranteed as to the timely payment of principal and interest.

Investments in Target Retirement Funds and Trusts are subject to the risks of their underlying funds. The year in the fund or trust name refers to the approximate year (the target date) when an investor in the fund or trust would retire and leave the workforce. The fund/trust will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. The Income Trust/Fund and Income and Growth Trust have fixed investment allocations and are designed for investors who are already retired. An investment in a Target Retirement Fund or Trust is not guaranteed at any time, including on or after the target date.

Vanguard is responsible only for selecting the underlying funds and periodically rebalancing the holdings of target-date investments. The asset allocations Vanguard has selected for the Target Retirement Funds are based on our investment experience and are geared to the average investor. Investors should regularly check the asset mix of the option they choose to ensure it is appropriate for their current situation.

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**CR ACC - Foundation Balance Sheet**

Repeat By

Period

FY2022-23 - 06-Dec

Worktags

Calculate Current Year Retained E: Yes

<i>MiraCosta College Foundation</i>	Unrestricted	Restricted	Restricted & Unrestricted	Restricted & Unrestricted
Period: FY2022-23 - 06-Dec			Total	Prior Year Total
Assets	2,328,295.91	18,353,484.80	20,681,780.71	20,753,415.53
Cash	1,405,157.12	529,457.95	1,934,615.07	1,898,763.34
Investments	428,625.18	16,212,123.12	16,640,748.30	16,466,754.74
Deferred Gifts - Assets	426,799.00	753,378.91	1,180,177.91	1,180,177.91
Accounts Receivable/Prepays	67,714.61	858,524.82	926,239.43	1,207,719.54
<b>Total Assets</b>	<b>2,328,295.91</b>	<b>18,353,484.80</b>	<b>20,681,780.71</b>	<b>20,753,415.53</b>
Liabilities	4,841.47	100,065.28	104,906.75	160,194.19
Accounts Payable	4,841.47	100,065.28	104,906.75	160,194.19
Due To Related Entities	0.00	0.00	0.00	0.00
Due From Related Entities	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>4,841.47</b>	<b>100,065.28</b>	<b>104,906.75</b>	<b>160,194.19</b>
<b>Net Position</b>	<b>2,323,454.44</b>	<b>18,253,419.52</b>	<b>20,576,873.96</b>	<b>20,593,221.34</b>
<b>Total Liability/Net Position</b>	<b>2,328,295.91</b>	<b>18,353,484.80</b>	<b>20,681,780.71</b>	<b>20,753,415.53</b>

**CR ACC - Foundation Income Statement**

Repeat By

Period

FY2022-23 - 06-Dec

Worktags

<i>MiraCosta College Foundation</i>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Restricted &amp; Unrestricted</b>	<b>Restricted &amp; Unrestricted</b>
<i>Period: FY2022-23 - 06-Dec</i>			<b>Total</b>	<b>Prior Year</b>
Revenues	125,787.04	572,980.01	698,767.05	(1,061,337.16)
Deferred Gifts- Revenue	0	0	0	466.73
Contributions	112,005.37	314,710.81	426,716.18	1,545,340.78
Investment Activity	13,781.67	243,419.37	257,201.04	(2,689,406.13)
Gifts In Kind- Revenue	0	14,849.83	14,849.83	82,261.46
<b>Total Revenue</b>	<b>125,787.04</b>	<b>572,980.01</b>	<b>698,767.05</b>	<b>(1,061,337.16)</b>
Transfers	172,977.29	(172,977.29)	0.00	0.00
Transfers In	534,927.35	525,795.19	1,060,722.54	814,430.20
Transfers Out	(361,950.06)	(698,772.48)	(1,060,722.54)	(814,430.20)
<b>Total Transfers</b>	<b>172,977.29</b>	<b>(172,977.29)</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Revenue and Transfers</b>	<b>298,764.33</b>	<b>400,002.72</b>	<b>698,767.05</b>	<b>(1,061,337.16)</b>
Expenditures	183,285.83	531,828.60	715,114.43	1,269,937.18
General And Administrative/Program	176,451.83	145,439.69	321,891.52	582,997.54
2800:Foundation Salary Expense (MCCF Use Only)	19,578.11	386.14	19,964.25	118,283.25
4500:Supplies	1,315.42	23,108.99	24,424.41	70,014.89
5100:Other Services	34,878.55	3,686.85	38,565.40	134,166.69
5200:Travel, Conferences, Training	15,202.55	76,478.22	91,680.77	25,090.54
5300:Dues and Memberships	0	5,279.50	5,279.50	12,491.19
5400:Insurance	0	0	0	13,411.00
5500:Utilites and Custodial Services	0	0	0	223.66
5600:Contract Services	99,445.95	30,208.41	129,654.36	149,951.33
5700:Audit, Election, Legal	0	0	0	12,000.00
5800:Advertising and Postage	6,031.25	6,291.58	12,322.83	47,364.99
7100:Debt Retirement	0.00	0	0.00	0
Direct Student Aid	2,334.00	54,150.83	56,484.83	85,920.30
Scholarships	4,500.00	317,388.25	321,888.25	527,993.88
Gifts In Kind- Expense	0.00	14,849.83	14,849.83	73,025.46
<b>Total Expenditures</b>	<b>183,285.83</b>	<b>531,828.60</b>	<b>715,114.43</b>	<b>1,269,937.18</b>
Net Fund Balance, Beginning of Year			20,593,221.34	22,924,495.68
Revenues Over (Under) Expenditures	2,207,975.94	18,385,245.40	(16,347.38)	(2,331,274.34)
	115,478.50	(131,825.88)		
<b>Net Fund Balance, End of Period</b>	<b>2,323,454.44</b>	<b>18,253,419.52</b>	<b>20,576,873.96</b>	<b>20,593,221.34</b>



<b>Gift Amount</b>	<b>Gift Date</b>	<b>Donor</b>	<b>Fund Description</b>
\$15,000.00	7/1/2022	U.S. Bank	SBDC
\$17,815.20	7/27/2022	Ben Hudnall Memorial Trust	Nursing Program
\$15,000.00	8/22/2022	Alec J. Babiarz	Annual
\$42,250.00	8/24/2022	Foundation for California Community Colleges - Osher	Osher Scholarship
\$20,000.00	8/27/2022	Julie Hatoff	Hatoff Tapestries Program
\$200,000.00	9/26/2022	Follett Higher Education Group	Follett Pledge Payment
\$25,000.00	9/29/2022	Foundation for California Community Colleges - Osher	Osher Scholarship
\$14,763.83	10/7/2022	Diane Bessell Trust	Annual
\$30,000.00	10/20/2022	Foundation for California Community Colleges - Osher	Osher Scholarship
\$20,000.00	12/2/2022	Seth Sprague Educational and Charitable Foundation	Former Foster Youth
\$12,500.00	12/12/2022	The San Diego Foundation	SBDC
\$20,000.00	12/16/2022	Genentech Foundation	Genentech Scholarship
Top 10 Donors			
Please note 3 gifts from Foundation for CA Community Colleges (Osher Scholarships)			

<b>As of 12.31.2022</b>		
<b>CASH &amp; ST OPERATING</b>		
<b>Union Bank</b>	972,740.10	<b>UB Statement balance; Cash in ledger may have a different balance due to outstanding checks or deposit in transit.</b>
<b>LAIF</b>	979,533.67	<b>LAIF Statement balance</b>
	<b>1,952,273.77</b>	
<b>INVESTMENTS</b>		
<b>Vanguard - Endowment Portfolio</b>	13,818,780.46	
<b>Vanguard - Excess Reserve Portfolio</b>	2,004,279.97	<b>2,250,000 invested, 245,720.30 Loss to date</b>
<b>Vanguard - Reserve Portfolio</b>	0.00	
<b>Vanguard - JAFFY</b>	54,938.04	
<b>Osher, as of June 30, 2022</b>	762,750.10	
	<b>16,640,748.57</b>	

<b>Beginning Balances</b>	<b>972,740.10</b>	<b>979,533.67</b>	<b>-</b>	<b>2,004,279.97</b>	<b>13,818,780.46</b>	<b>17,775,334.20</b>
<b>Recommendations:</b>						
Move from LAIF to UB	479,534.00	(479,534.00)				
Move from UB to Reserve	(1,000,000.00)		1,000,000.00			
Move from UB to Excess	(258,382.00)			258,382.00		
Move from UB to Endowment	(18,892.00)				18,892.00	
Move from Endowment to Excess - PY distributions and fees (approved by Finance committee; pending board approval)				1,231,117.26	(1,231,117.26)	
Move from Endowment to Excess - 12/31/2022 Distributions and fees				557,270.88	(557,270.88)	
<b>Ending balances</b>	<b>175,000.10</b>	<b>499,999.67</b>	<b>1,000,000.00</b>	<b>4,051,050.11</b>	<b>12,049,284.32</b>	<b>17,775,334.20</b>
<b>Worksheet to determine recommendations</b>						
	<b>UB</b>	<b>LAIF</b>	<b>VG - Reserve Portfolio</b>	<b>G - Excess Reserve Portfolio</b>	<b>VG - Endowment Portfolio</b>	<b>TOTAL</b>
<b>Target</b>	<b>\$ 175,000</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>	<b>No Max</b>		
<b>Move If...</b>	UB to LAIF if over 250k	LAIF to Resv if over 750k	Resv to ExResv if over \$1M			
<b>Beginning Balances</b>	<b>\$ 972,740</b>	<b>\$ 979,534</b>	<b>\$ -</b>	<b>\$ 2,004,280</b>	<b>\$ 13,818,780</b>	<b>\$ 17,775,334</b>
leave Target	\$ 175,000					
UB to VG Endwmt - Q2 endwmt gifts	\$ (18,892)					
move UB to LAIF	\$ (778,848)					
<b>New Balance</b>	<b>\$ 175,000</b>	<b>\$ 1,758,382</b>			<b>\$ 13,837,673</b>	
leave Target		\$ 500,000				
move LAIF to Reserve		\$ (1,258,382)				
<b>New Balance</b>	<b>\$ 175,000</b>	<b>\$ 500,000</b>	<b>\$ 1,258,382</b>			
leave Target			\$ 1,000,000			
Move to Reserve to Excess Reserve			\$ (258,382)			
<b>New Balance</b>	<b>\$ 175,000</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>	<b>\$ 2,262,662</b>	<b>\$ 13,837,673</b>	
C. Liquidate VG Endowment to UB - PY - already approved by the Finance committee; pending Board approval					\$ (1,231,117)	
<b>New Balance</b>	<b>\$ 1,406,117</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>	<b>\$ 2,262,662</b>	<b>\$ 12,606,555</b>	
D. Liquidate VG Endowment to UB - 12/31/2022 Distribution and fees (new)					\$ (557,271)	
<b>New Balance</b>	<b>\$ 1,963,388</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>	<b>\$ 2,262,662</b>	<b>\$ 12,049,285</b>	
leave Target	\$ 175,000					
move UB to LAIF	\$ (1,788,388)					
<b>New Balance</b>	<b>\$ 175,000</b>	<b>\$ 2,288,388</b>	<b>\$ 1,000,000</b>	<b>\$ 2,262,662</b>	<b>\$ 12,049,285</b>	
leave Target		\$ 500,000				
move LAIF to Reserve		\$ (1,788,388)				
<b>New Balance</b>	<b>\$ 175,000</b>	<b>\$ 500,000</b>	<b>\$ 2,788,388</b>	<b>\$ 2,262,662</b>	<b>\$ 12,049,285</b>	
leave Target			\$ 1,000,000			





## **FOUNDATION**

### **Investment and Spending Policy**

#### **Finance Committee Approval of the above policy Adopted by the Foundation Board on (date) DRAFT (1/19/22)**

#### **I. Background and Mission**

The Miracosta College Foundation (hereafter referred to as the “Foundation”) is an independent, 501(c)(3) nonprofit corporation created to support students by funding their pursuits toward a higher education and providing the resources to help guide them toward success.

For over 40 years, the vision of the Foundation has supported the vision that on one is denied access to education because of financial need and that resources are available to enrich the college experience for all students. In service to this vision, the Foundation’s mission is to promote the interests and welfare of the college and to secure resources that will transform student lives.

#### **II. Introduction**

This policy is intended as a basic guide for safeguarding and managing the Foundation’s assets including the development of spending goals, investment strategies (including asset allocation) and investment performance review and reporting. collectively comprise the “Portfolio”. The Portfolio’s assets will normally be held in one of three subordinate portfolios (or pools). These are (1) the “Reserve Portfolio” (2) Excess Reserve Portfolio (3) the “Endowment Portfolio”.

This investment Policy Statement sets forth the investment objectives, distribution policies, and investment guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for Portfolio assets.

The investment policies for the Foundation contained herein have been formulated consistent with the Foundation’s Mission, reflects its anticipated financial needs and its willingness to assume investment and financial risk, as reflected in the majority opinion of the Committee.

Policies contained in this statement are intended to provide guidelines, where necessary, for ensuring that the Portfolio’s investments are managed consistent with the short-term and long-term financial goals of the Foundation. At the same time, they are intended to provide for sufficient investment flexibility in the face of changes in capital market conditions and in the financial circumstances of the Institution.

### III. Role of the Finance Committee and the Foundation Board

The Foundation Board (the “Board”) has a fiduciary responsibility to comply with the restrictions imposed by the donors of endowment funds. The Board also has a legal responsibility to ensure that the management of endowment funds is in compliance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Finance Committee of the Foundation Board the “Committee”) acts in a fiduciary capacity with respect to the Foundation and is accountable to the College and the Board for overseeing the investment and safeguarding of all assets owned by or held in trust..

Foundation Management (“Management”) is defined as the Foundation’s Executive Director who oversees endowment accounting and makes recommendations to the Committee.

- A. The Committee will review this Investment Policy Statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a majority of the Committee, and final Board approval. Written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Foundation as soon thereafter as is practicable.
- B. Standard of Fiduciary Care. The primary and constant standard for making investment and spending decisions for all Portfolio assets is the “Prudent Person Rule” which states that “the members of the governing board shall act with the care, skill, prudence, and diligence under the circumstances then prevailing a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the institution” in compliance with Uniform Prudent Management of Institutional Funds Act.

### IV. Manager Selection

Investment management of the Portfolio (including its constituent pools) shall be recommended by the Committee for approval by the Board based on a selection process as established by the Committee. The Committee may elect to appoint a single manager for the Reserve Portfolio, Excess Reserve Portfolio, and the Endowment Portfolio or separate managers for each. The Committee may also elect to manage the Reserve Portfolio itself. In addition to evaluating a manager’s historical performance compared to appropriate benchmarks, a manager’s ethical standards, financial viability, organizational structure, experience of key personnel, and investment philosophy will also be reviewed.

### V. Investment Objectives

- A. The Endowment Portfolio is to be invested with the objective of 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. The attainment of this broad objective will provide a balance between current spending needs of the Foundation and the need to preserve the purchasing power of the endowment for future generations.

- B. The Reserve Portfolio. Assets apportioned to the Reserve Portfolio are intended for use “on demand” are to be invested with the objective of preservation of capital and short-term liquidity. Only high-quality short –term investment vehicles are appropriate for this portfolio.
- C. The Excess Reserve Portfolio is to be comprised of funds that are above an approved threshold to adequately fund the Reserve Portfolio. Assets in the Excess Reserve Portfolio are intended to preserve capital, provide a relatively predictable stream on income, and achieve moderate growth of principal. Assets are to be used as a supplemental source of funds for the Reserve Portfolio.

**NOTE:** Please reference the Investment and Spending Policy Flow Chart located within the appendix, page 9.

## **VI. Solicitation and Acceptance of Gifts Policy**

- A. A separate policy has been adopted and approved on by the Foundation to provide general information about the criteria and framework by which donations may be accepted or recommended to the Board for acceptance. This information should not be interpreted as legal advice, nor is the policy intended to override current IRS code and regulations. This policy includes:

- Special gifts acceptance
- Gifts of tangible property and equipment (gifts-in-kind)
- Gifts of real property
- Gifts of securities, limited partnerships and other tangible property
- Gifts of life insurance
- Charitable Remainder Trusts
- Digital currency

## **VII. Spending Policy**

- A. Foundation spending shall be funded from these sources:
- Current undesignated gifts (not designated as endowments),
  - An annual endowment management fee (presently 1.5%) assessed on total Endowment Portfolio assets), and
  - Partial distributions of net investment income (from interest or dividends) or net realized capital gains from the Endowment Portfolio
  - Short term deficiencies or excess of cash needs may be balanced by withdrawals from/deposits to the Reserve Portfolio. Cash accumulations from earnings and capital gains that exceed the approved spending budget for any year will be reinvested.
- B. Purpose of Spending. The Foundation exists to support the educational needs of the College. Consistent with prudent financial stewardship, the Foundation will spend its income each year for the purposes designated and/or approved by its Board. This will include a portion (1.5% endowment management fee) designated for the foundation’s

business operations, fundraising and other work of the Foundation and a percentage set by the Board (currently 3.5%) for charitable purposes. Thus, the current spending rate is 5%.

Endowment Portfolio earnings in excess of the Board established spending rate will be reinvested in the Endowment Portfolio to protect the endowment's purchasing power from one generation to the next.

- C. Limitations on Spending -- General Policy. In general, current spending will not be funded by accessing the principal corpus of the Endowment Portfolio. The distribution of Endowment Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the Foundation's real assets over time. The Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Foundation's spending policy, its target asset allocation, or both.

Establishing the Spending Rate. The Committee will review and recommend the annual spending rate to the Board within 60 days following the end of each calendar year. The Foundation presently seeks to maintain an annual spending rate of no more than 5.5% of the 3-year trailing average of the Endowment Portfolio (valued on December 31 of each year.) Any excess earnings will be re-invested into the Endowment Portfolio. An endowment management fee of 1.5% will be assessed first, then a maximum of 4% will be used for charitable purposes as designated by the donor or determined by the Board. (See Appendix 1 for related administrative procedures.

- D. Adjusting the Endowment Management Fee. The Committee has the option of adjusting the endowment management fee up to the Uniform Prudent Management of Institutional Funds Act mandated maximum of 2%. The Committee also has the option of reducing the fee as long as the resulting fee income to the Foundation is adequate to fully fund operational and employee costs. (See Appendix 1 for related administrative procedures.)
- E. Maintaining an Operational Reserve. Recognizing that stability and continuity are important to good management and administration, the Management will seek to hold an operational reserve such that in down market years reductions in business operations and layoffs are unnecessary. In addition, Management will aim for a stable budget, and when necessary, plan for significant increases or cuts to the budget to meet extraordinary one-time costs.

## **VIII. Portfolio investment policies**

### **A. Diversification – All Portfolios**

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class



due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

1. With the exception of fixed income investments explicitly guaranteed by the U.S. Government, no single investment security shall represent more than 5% of total Portfolio assets.
2. With the exception of passively managed investment vehicles seeking to match the returns on a broadly diversified market index, no single investment pool or investment company (mutual fund) shall comprise more than 20% of total Portfolio assets.
3. With respect to fixed income investments, for individual bonds, the minimum average credit quality of these investments shall be investment grade (Standard & Poor's BBB or Moody's Baa or higher).

Other Investment Policies. Unless expressly authorized by the Committee, the Portfolio and its investment managers are prohibited from:

1. Purchasing securities on margin or executing short sales.
2. Pledging or hypothecating securities, except for loans of securities that are fully collateralized.
3. Engaging investment managers who promise to engage in such practices.

#### B. Asset Allocation-General

1. The Committee recognizes that the careful allocation of Portfolio assets among financial asset and sub asset categories with varying degrees of risk, return, and risk-return correlation will be the most significant determinant of long-term investment returns and achievement of Portfolio objectives for each of the Foundation's Portfolios.
2. The Committee expects that actual returns and return volatility may vary from expectations and return objectives across short periods of time. While the Committee wishes to retain flexibility with respect to making periodic changes to the Portfolio's asset allocation, it expects to do so only in the event of material changes to the Foundation, to the assumptions underlying Foundation spending policies, and/or to the capital markets and asset classes in which the Portfolio invests.

#### C. Asset Allocation Policy-Specific to the Endowment Portfolio and Excess Reserve

## Portfolio

1. Foundation assets comprising the Endowment and Excess Reserve Portfolios will be managed as a balanced portfolio composed of two major components: an equity portion and a fixed income portion. The expected role of equity investments will be to maximize the long-term real growth of Endowment and Excess Reserve Portfolio assets, while the role of fixed income investments will be to generate current income, provide for more stable periodic returns, and provide some protection against a prolonged decline in the market value of the equity investments.
2. Cash investments will, under normal circumstances, only be considered as temporary holdings in the Portfolio, and will be used for Foundation liquidity needs or to facilitate a planned program of dollar cost averaging into investments in either or both of the equity and fixed income asset classes.
3. Exhibit A (below) presents the long-term strategic asset allocation guidelines, presently determined by the Committee to be the most appropriate for the Endowment, given the Foundation's long-term objectives and short-term constraints.

### D. Asset Allocation Policy-Specific to the Reserve Portfolio

Assets are to be invested in cash or cash/equivalents or as outlined in Exhibit B (below). Any fixed income investment duration should be aligned with the potential need for funds; resulting is a duration target not to exceed 3 years. All investments are required to exceed a minimum standard of investment-grade (BBB or Baa)

### E. Asset Allocation Policy-Specific to the Excess Reserve Portfolio

Exhibit C (below) reflects the asset allocation recommended by the Committee for the Excess Reserve Portfolio.

### F. Rebalancing

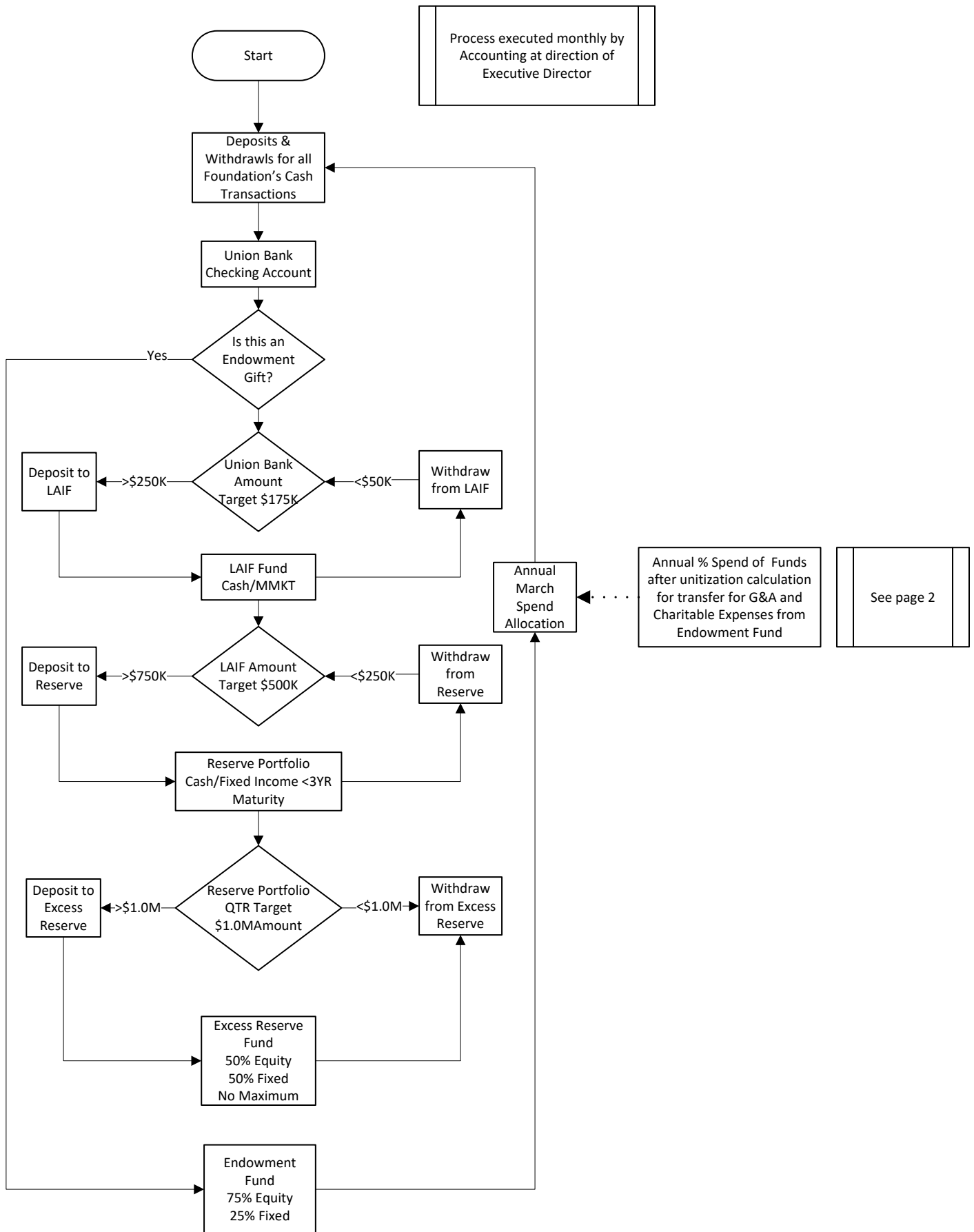
1. It is expected that the Endowment Portfolio's actual asset allocation will vary from its target asset allocation as a result of the varying periodic returns earned on its investments in different asset and sub asset classes. The Endowment and Excess Reserve Portfolio will be rebalanced to its target normal asset allocation under the following procedures:
2. The investment manager will use incoming cash flow (contributions) or outgoing money movements (disbursements) of the Portfolio or realign the current weightings closer to the target weightings for the Portfolio.

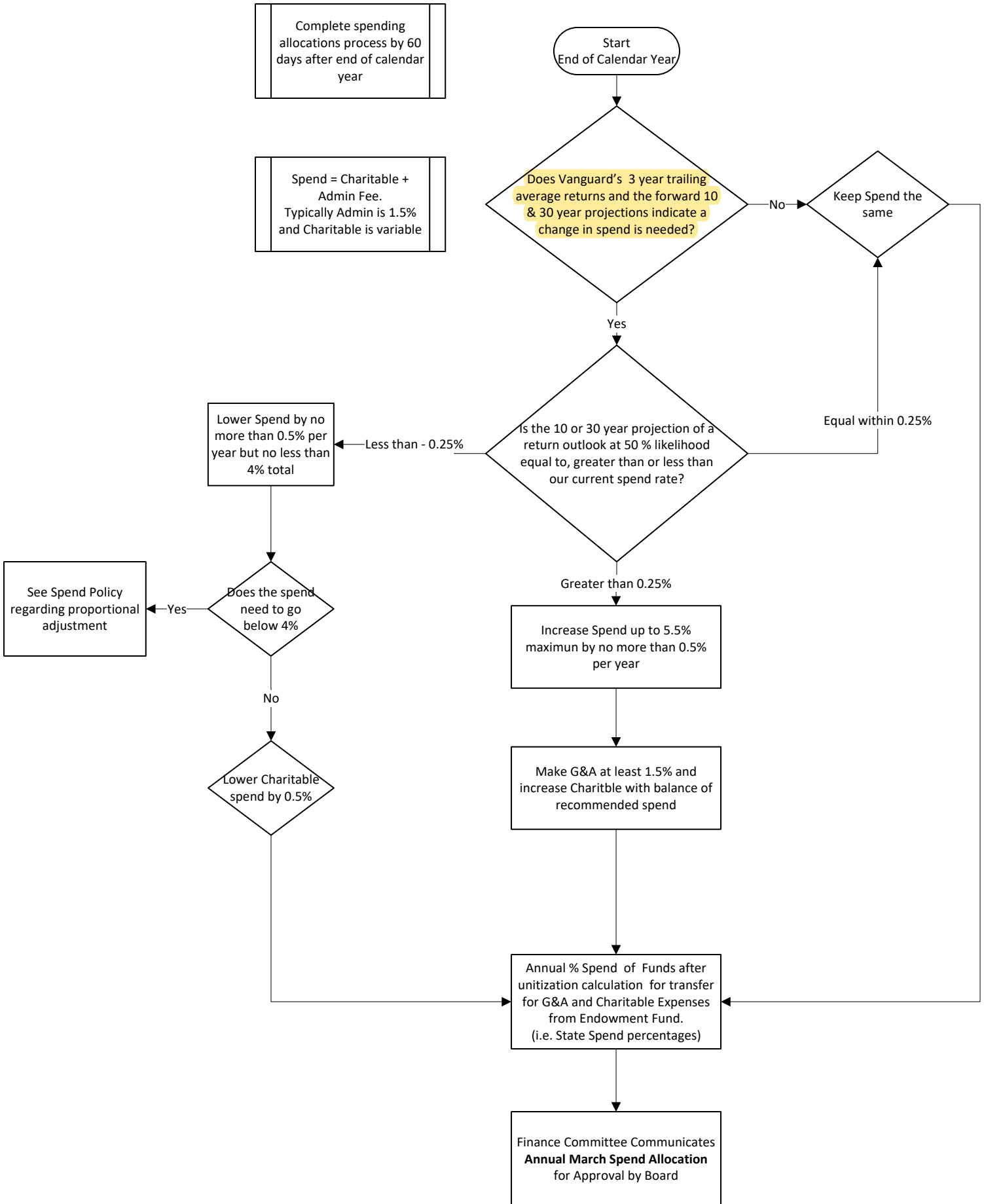
3. The investment manager will review the Portfolio quarterly to determine the deviation from target weightings. During each quarterly review, the following parameters will be applied:
  - i. If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.
  - ii. If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
  - iii. The investment manager may provide a rebalancing recommendation at any time.
4. Performance shall be measured on a total return, time-weighted basis and presented for the most recent quarter, year-to-date, and the trailing years, three years, and five years. Performance for periods greater than one year shall be expressed on an annualized basis. To facilitate performance comparisons, investment results should be expressed both gross and net of fees.
5. The specific performance objective is to attain, within acceptable risk levels, an average annual long-term total return that meets or exceeds the sum of the Foundation's spending rate plus inflation (as measured by the CPI, consumer price index) plus investment management and related fees. In cases where the Foundation is appointed trustee of a charitable trust, the investment objective is to achieve a return that satisfies the distribution rate while retaining as much corpus as possible.

#### G. Reporting

Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or more frequently if requested by the Committee. Each investment manager is expected to be available to review portfolio structure, strategy, and investment performance annually with the Investment Committee.

# APPENDIX





(EXHIBIT A)  
**Asset Allocation Guidelines for the “Endowment Portfolio”**

ASSET CLASS	Conservative Limit	Target Allocation	Aggressive Limit
Equities			
U. S. Equities International	36%	45%	48%
Equities	24%	30%	32%
Total Equities	60%	75%	80%
Fixed Income			
U.S. Fixed Income International	28%	17.5%	14%
Fixed Income	12%	7.5%	6%
Total Fixed Income	40%	25%	20%
Cash and Cash Equivalents	10%	0%	0%

Exhibit A approved by Finance Committee on 11/10/2016

Approved by the Foundation Board on 11/17/2016

## (EXHIBIT B)

**Asset Allocation Guidelines for the “Reserve Portfolio”**

<b>Asset Class</b>	<b>Sub-Asset Class</b>	<b>Target Allocation</b>
<b>Equities</b>		<b>0%</b>
	Domestic (U.S.) Equities	0%
	International (Non U.S.) Equities	0%
<b>Fixed Income*</b>		<b>100.00%</b>
	Domestic (U.S.) Investment Grade	100%
	International (Non U.S.) Bonds	0%
<b>Total</b>		<b>100.00%</b>

\* Any fixed income investment duration should be aligned with the potential need for funds; resulting is a duration target not to exceed 3 years. All investments are required to exceed a minimum standard of investment-grade (BBB or Baa)

Exhibit B approved by Finance Committee on: February 15, 2022

Approved by the Foundation Board on : February 22, 2022



## (EXHIBIT C)

**Asset Allocation Guidelines for the “Excess Reserve Portfolio”**

<b>Asset Class</b>	<b>Sub-Asset Class</b>	<b>Target Allocation</b>
<b>Equities</b>		<b>50.00%</b>
	Domestic (U.S.) Equities	30%
	International (Non U.S.) Equities	20%
<b>Fixed Income</b>		<b>50.00%</b>
	Domestic (U.S.) Investment Grade	35.00%
	International (Non U.S.) Bonds	15.00%
<b>Total</b>		<b>100.00%</b>

Exhibit C approved by Finance Committee on 11/10/2016

Approved by the Foundation Board on 11/17/2016

**Administrative Procedures for providing to the Committee the Information they  
Need to Establish the Spending Policy**

Established by Management: 11/10/2016

1. Within 60 days following the end of the calendar year, Management will provide to the Finance Committee the following information:
  - a. Rate of returns on the Endowment Fund for each of the three previous calendar years
  - b. Recommended spending rates based on the three-year trailing average value for the Endowment Fund and normal accounting procedures. The recommendations will include:
    - i. Endowment management fee, not to exceed to 2% (currently 1.5%)
    - ii. Recommended charitable purpose spending rate that is compliant with prudent management and industry best practices.
2. The process for allocating endowment earnings are as follows:
  - a. In accordance with Board policy, the endowment management fee (currently set at 1.5%) is allocated first to the operational fund for the Foundation.
  - b. Funds are secondly allocated for charitable purposes (currently set at 3.5%) as designated by the donor or for allocation by the Board.
  - c. The calculation that is currently used to establish the Foundation maximum spending is as follows: 1.5% (endowment management fee + 4% (charitable purpose allocations) = 5.5% (maximum spending limit as established by policy)
3. When earnings are below the Board's established spending limits:
  - a. If the three-year average growth rate of the Endowment Portfolio were to decline, and 5.2% was determined to be the prudent maximum spending rate, the calculation to derive charitable spending would be: 5.2% (earnings) – 1.5% (endowment management fee) = 3.7% for charitable purpose allocations.
4. Adjusting the endowment management fee: In the occurrence when endowment portfolio earnings drop below 5.5%, the Finance Committee may consider reducing the 1.5% endowment management fee, so long as the funding provided is adequate to fully fund the Foundation's business and operating costs, including essential and productive staff positions. If the management fee is to be reduced, the reduction should be proportional. Here is an example:
  - a. The 1.5% endowment management fee expressed as a percentage of the 5.5 distribution is 27.27% ( $1.5\%/5.5\% = 27.27\%$ ) Therefore, if the earnings were to decline to 4.9% and the Committee agreed to proportionally reduce the management fee, the calculation would be as follows,  $(4.9\% \times 27.27\%) / 100 = 1.34\%$ . This would provide a 1.34% spending rate for charitable purposes.