



MIRACOSTA COLLEGE FOUNDATION BOARD FINANCE COMMITTEE MEETING

Tuesday, August 1, 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:

Bruce Bandemer, Jimmy Figueroa, Cindy Musser, Sharon Wiback

Staff Support & Advisors Support Attendees:

Tim Flood, Elizabeth Lurenana, Andrew Maslick,
Arthur Rodriguez, Shannon Stubblefield, Lois Templin, Christina Undan

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 May 2, 2023

VI. COMMITTEE REPORT(S)

A. Finance Committee

i. Review & Approve FY22/23 Q4 Financial Statements **(Action Required)**

ii. Review FY22/23 Q4 Recap **(Action Required)**

iii. Review and Approve Proposed Unrestricted Endowed Fund Distributions for FY23-24
(Action Required)

iv. Audit Report

B. Matching Endowment Campaign

i. Update to Investment and Spending Policy **(Action Required)**

C. Pledges Update

i. Follett Pledge Revision

ii. Policies & Procedures

D. Consent Agenda

VII. COLLEGE UPDATES

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

VIII. PRESENTATION(S)

A. Andrew Maslick, VIAS (Zoom)

IX. ANNOUNCEMENTS, MEETING AND EVENT CALENDAR REVIEW

Next Finance Committee Meeting (San Elijo Campus)

Tuesday, October 31, 2023 at 1:00 – 2:30 p.m.

Next Executive Committee Meeting (San Elijo Campus)

Tuesday, August 1, 2023 at 3:00 – 4:00 p.m.

Next Quarterly Board Meeting (Oceanside Campus)

Tuesday, August 15, 2023 at 3:00 – 5:00 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 Campus)

Tuesday, October 24, 2023 at 2:00 – 3:00 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



**MIRACOSTA COLLEGE FOUNDATION BOARD
FINANCE COMMITTEE MEETING MINUTES**

**May 2, 2023
DRAFT**

- I. CALL TO ORDER** This meeting's audio was live streamed and recorded.
The MiraCosta College Foundation Finance Committee met in open session on Tuesday, February 7, 2023 in Conference Room 1131 on the MiraCosta College District's San Elijo Campus (3333 Manchester Avenue, Cardiff, CA 92007). Treasurer Bruce Bandemer called the meeting to order at 1:03 p.m. This meeting's audio was live streamed and recorded.
- II. ROLL CALL**
Committee Members Present:
 Bruce Bandemer Eva Budnik (left at 1:21 p.m.) Jimmy Figueroa (left at 2:15 p.m.)
 Cindy Musser
- Committee Members Absent:**
 Matthew Adams Sharon Wiback
- Staff/Advisors Present:**
 Elizabeth Lurenana Andrew Maslick Arthur Rodriguez
 Shannon Stubblefield Lois Templin Christina Undan
- III. PUBLIC COMMENT ON ITEMS ON AND NOT ON THE AGENDA**
None
- IV. CHANGES IN AGENDA ORDER**
Move all action items to the top of the agenda in order.
- V. APPROVE MEETING MINUTES - Action Required**
 A. By motion of Committee Member Musser, seconded by Treasurer Bandemer, the minutes of the regular meeting of February 7, 2023 were approved.
- Vote: 2/0/2/2
 Aye: Bandemer, Musser
 Nay: None
 Abstentions: Budnik, Figueroa
 Absent: Adams, Wiback
- VI. COMMITTEE REPORT(S)**
 A. Finance Committee
 i. Treasurer Bandemer reviewed the FY22/23 Q3 Financial Statements provided in the agenda packet. Vice President/Executive Director Stubblefield clarified information on the statement (pledge payments, planned gifts, etc. not included) and reported the foundation is on track for staff's fundraising goal but not for their stretch goal because they do not have the necessary prospects.
 a. The committee noted there was a formatting error in the top ten donations document. The bottom three donations should have been \$3000 each.
 b. By motion of Committee Member Musser, seconded by Committee Member Figueroa, the FY22/23 Q3 Financial Statements were approved as presented.
- Vote: 4/0/0/2

Aye: Bandemer, Budnik, Figueroa, Musser

Nay: None

Abstentions: None

Absent: Adams, Wiback

- ii. Chair Bandemer reviewed the FY22/23 Q3 Recap for the committee. There is no recommended money movement.
- iii. Vice President/Executive Director Stubblefield reviewed the proposed FY23/24 Operating Budget, explaining the justification for the 10% increase from FY22/23 and clarifying that this budget is solely for what it takes to run the foundation. It does not include the other funds (Annual, Unrestricted, Restricted Gift Funds, etc). Staff are working with the Accounting/Finance department on campus to revamp the budget process, so this operating budget can be added to Workday and the process is more efficient.
 - a. Discussion took place around two art gifts and recovering the costs for storing them. Staff will continue to work on this with the district.
 - b. By motion of Committee Member Musser, seconded by Committee Member Budnik, the FY23/24 Operating Budget was approved as presented.

Vote: 4/0/0/2

Aye: Bandemer, Budnik, Figueroa, Musser

Nay: None

Abstentions: None

Absent: Adams, Wiback

- iv. Pledges Receivable
 - a. Follett Pledge
 - In 2018, Follett pledged an unrestricted gift of \$1M, with pledge payments of \$100,000 a year.
 - Accounting/Finance Staff, Vice President/Executive Director Stubblefield, and Chair Bandemer explained 2018 & 2019 pledge payments were put into a restricted endowment for the Promise Fund. Staff will meet with the auditors to re-book the full gift to an unrestricted account. Staff recommends that the initial \$100,000 remain restricted to the Promise Fund, per staff decisions and paperwork in 2018, and the rest (\$900k) will be moved to unrestricted funds.
- v. Policy & Procedure
 - a. Vice President/Executive Director Stubblefield discussed how to book pledges if they are lagging. The auditor recommends putting into place a policy for an “allowance for doubtful accounts” and reviewing the procedure for collecting pledge payments through reminder letters to donors.
 - b. Staff will draft language to propose to the committee in Q1 of FY23/24.
- vi. Audit Report
 - a. Committee Member Musser reported the FY21/22 Audit was approved by the Audit Committee and will be presented for final approval at the upcoming Executive Committee and full board meetings.
- vii. Endowment Matching Opportunity
 - a. Vice President/Executive Director Stubblefield explained the Title V Endowment Challenge Grant opportunity. The committee discussed and recommended opening a new account with Vanguard for this fund.
 - b. Staff will start paperwork with Andrew Maslick of Vanguard to set up the account.
 - c. Staff are working on launching the opportunity to the public, including the giving page.

VII. COLLEGE UPDATES

- A. Vice President of Administrative Services, Tim Flood, was unable to attend.

VIII. PRESENTATION(S)

- A. Andrew Maslick, VIAS
- i. Reviewed the agenda including the Performance Summary as of March 31, 2023, the Market & Economic Outlook, and Banking Unrest.
 - a. Performance Summary
 - Positive returns this quarter
 - Portfolio valuation up in Q3
 - Reviewed new portfolio snapshot/summary sheet for each portfolio.
 - ii. Market & Economic Outlook
 - a. Reviewed ten-year outlook for reserve and excess reserve. There is nothing actionable in the outlook.
 - iii. Banking Unrest
 - ii. Maslick gave a brief update on trends in the academic sector/higher education and the committee discussed which items are pertinent to MiraCosta students and which are not.
 - i. Maslick will share the report with the committee.

IX. ANNOUNCEMENTS, MEETING AND EVENT CALENDAR REVIEW

- A. Staff noted there will be two vacancies on the committee for FY23/24. President McGuigan will be looking to fill these with either existing or new board members.

Next Finance Committee Meeting

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

Next Executive Committee Meeting

Tuesday, May 2, 2023 at 3:00 – 4:00 p.m.

Next Quarterly Board Meeting

Tuesday, May 16, 2023 at 3:00 – 5:00 p.m.

Next Comprehensive Campaign Committee Meeting

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

Next Governance and Nominations Committee Meeting:

Tuesday, July 25, 2023 at 2:00 – 3:00 p.m.

X. FUTURE AGENDA ITEMS

- A. Pledges Receivable Policy & Procedure

XI. ADJOURNMENT

The meeting was adjourned by Chair Bandemer at 2:29 p.m.

CR ACC - Foundation Balance Sheet

Repeat By

Period FY2022-23 - 12-Jun

Worktags **Kindly note that this is a preliminary Q4 report, final entries and steps are taking place for year-end close.*

Calculate Current Year Retained E: Yes

<i>MiraCosta College Foundation</i>	Unrestricted	Restricted	Restricted & Unrestricted	Restricted & Unrestricted
Period: FY2022-23 - 12-Jun			Total	Year Total - 7/1/2021-6/30/
Assets	2,759,287.45	18,473,350.16	21,232,637.61	20,259,618.93
Cash	454,385.17	703,957.21	1,158,342.38	1,898,763.34
Investments	1,733,534.34	16,805,896.04	18,539,430.38	16,466,754.74
Deferred Gifts - Assets	426,799.00	753,378.91	1,180,177.91	1,180,177.91
Accounts Receivable/Prepays	144,568.94	210,118.00	354,686.94	713,922.94
Total Assets	2,759,287.45	18,473,350.16	21,232,637.61	20,259,618.93
Liabilities	29,416.72	25,650.49	55,067.21	160,194.19
Accounts Payable	29,416.72	25,650.49	55,067.21	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
Total Liabilities	29,416.72	25,650.49	55,067.21	160,194.19
Net Position	2,729,870.73	18,447,699.67	21,177,570.40	20,099,424.74
Total Liability/Net Position	2,759,287.45	18,473,350.16	21,232,637.61	20,259,618.93

CR ACC - Foundation Income Statement

Repeat By

Period

FY2022-23 - 12-Jun

Worktags

*Kindly note that this is a preliminary Q4 report, final entries and steps are taking place for year-end close.

<i>MiraCosta College Foundation</i>	Unrestricted	Restricted	Restricted & Unrestricted	Restricted & Unrestricted
<i>Period: FY2022-23 - 12-Jun</i>			Total	Year Total - 7/1/2021-6/30/
Revenues	227,201.24	2,779,984.24	3,007,185.48	(710,029.16)
Deferred Gifts- Revenue	0	0	0	466.73
Contributions	124,722.80	922,895.09	1,047,617.89	1,545,340.78
Investment Activity	102,478.44	1,715,760.13	1,818,238.57	(2,689,406.13)
Gifts In Kind- Revenue	0	141,329.02	141,329.02	433,569.46
Total Revenue	227,201.24	2,779,984.24	3,007,185.48	(710,029.16)
Transfers	169,507.55	(169,507.55)	0.00	0.00
Transfers In	656,149.13	639,533.17	1,295,682.30	814,430.20
Transfers Out	(486,641.58)	(809,040.72)	(1,295,682.30)	(814,430.20)
Total Transfers	169,507.55	(169,507.55)	0.00	0.00
Total Revenue and Transfers	396,708.79	2,610,476.69	3,007,185.48	(710,029.16)
Expenditures	402,175.44	1,526,864.38	1,929,039.82	2,115,041.78
General And Administrative	394,441.44	558,015.50	952,456.94	1,417,460.14
Direct Student Aid	2,334.00	77,715.90	80,049.90	85,920.30
Scholarships	5,400.00	749,803.96	755,203.96	527,993.88
Gifts In Kind- Expense	0.00	141,329.02	141,329.02	83,667.46
Total Expenditures	402,175.44	1,526,864.38	1,929,039.82	2,115,041.78
Net Fund Balance, Beginning of Year	2,735,337.38	17,364,087.36	20,099,424.74	22,924,495.68
Revenues Over (Under)			1,078,145.66	(2,825,070.94)
Expenditures	(5,466.65)	1,083,612.31		
Net Fund Balance, End of Period	2,729,870.73	18,447,699.67	21,177,570.40	20,099,424.74

Name	Gift Amount	Gift Date	Fund
Dorothy Rupe Caregiver Program	\$40,000	4/27/2023	Arthur Rupe Nursing Program Grant
Julie Hatoff	\$25,907	6/22/2023	Hatoff Tapestries - Pledge Payment
Las Patronas	\$20,000	4/20/2023	TCI Grant Fund
County of San Diego	\$20,000	5/15/2023	TCI Grant Fund
Seth Sprague Educational and Charitable Foundation	\$20,000	5/22/2023	Former Foster Youth
San Diego Foundation	\$18,495	4/7/2023	MiraCosta Police E-Bike Program
Janice & Matthias Kurth	\$10,262	6/30/2023	Endowment Matching Campaign
Wells Fargo & Company	\$10,000	4/20/2023	Small Business Development Annual Event
Cushman Foundation	\$10,000	6/29/2023	Student Emergency Financial Assistance
Nordson Corporation Foundation	\$10,000	5/25/2023	Stream Festival

As of 06.30.2023		
CASH & ST OPERATING		
US Bank	284,052.69	US Bank Statement balance; Cash in ledger may have a different balance due to outstanding checks or deposit in transit.
LAIF	905,164.66	LAIF Statement balance
	1,189,217.35	
INVESTMENTS		
Vanguard - Endowment Portfolio	13,262,041.29	
Vanguard - Excess Reserve Portfolio	3,444,770.59	
Vanguard - Reserve Portfolio	1,009,272.21	
Vanguard - JAFFY	60,596.19	
Osher, as of June 30, 2022	762,750.10	
	18,539,430.38	
Recommendation:		
Move from LAIF to US Bank for FY23-24 scholarships and payments	392,903.47	Funds parked in LAIF from 12/31/2022 Distributions and fees (3.5% Endowment distribution for Fall Scholarships)

Proposed Unrestricted/Restricted Endowed Fund Allocations for FY23/24

Unrestricted Endowed Fund Balance as of June 30, 2023	Unrestricted Endowed Fund Distribution Balance as of June 30, 2023	Recommended Allocations
Louis E. and Floy Masinter - #100451_GF \$1,582,997.35	Distribution #100822_GF \$59,777.32	\$0.00 – Rudolf Endowment (done per agreement ten years from FY12/13) \$0.00 – Innovation Grants (FY22-23 awarded \$27,000, excess of \$47,000 remaining in the fund as of 6-30-2023) \$10,000 – Development Events \$12,000 – Executive Director Goodwill fund
Katherine Chaffee - #100461_GF \$417,838.27	Distribution #100831_GF \$14,094.38	\$10,000 – Alumni Association
General Endowment - #100453_GF \$3299,885.	Distribution #100824_GF \$2,575.27	\$0.00 (allowing the fund to grow for other unrestricted campus needs)
Restricted Endowed Fund Balance as of June 30, 2023	Restricted Endowed Fund Distribution Balance as of June 30, 2023	Recommended Allocations
MiraCosta Promise - #100458_GF \$122,707.01	Distribution #100828_GF \$17,384.05	\$17,384 Scholarships to Promise students

Rudolph agreement: [Board Resolution.docx](#)

_____, 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)**

MiraCosta College Foundation

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June 30, 2022

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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

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
	<u>19,240,089</u>
Total current assets	
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
	<u>1,019,529</u>
Total noncurrent assets	
Total assets	
	<u>\$ 20,259,618</u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 24,308
Due to MiraCosta Community College District	135,886
	<u>160,194</u>
Total liabilities	
Net assets	
Without donor restrictions	
Undesignated	2,080,369
Board designated	654,968
	<u>2,735,337</u>
Total without donor restrictions	
With donor restrictions	
	<u>17,364,087</u>
Total net assets	
	<u>20,099,424</u>
Total liabilities and net assets	
	<u>\$ 20,259,618</u>

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	<u>1,582,120</u>	<u>357,992</u>	<u>1,940,112</u>
Expenses			
Program	1,315,500	-	1,315,500
Management and general	760,741	-	760,741
Total expenses	<u>2,076,241</u>	<u>-</u>	<u>2,076,241</u>
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	<u>(192,080)</u>	<u>(2,496,863)</u>	<u>(2,688,943)</u>
Change in Net Assets	(686,201)	(2,138,871)	(2,825,072)
Net Assets, Beginning of Year, as Restated	<u>3,421,538</u>	<u>19,502,958</u>	<u>22,924,496</u>
Net Assets, End of Year	<u>\$ 2,735,337</u>	<u>\$ 17,364,087</u>	<u>\$ 20,099,424</u>

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
Utilities 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
	<u>\$ 1,315,500</u>	<u>\$ 760,741</u>	<u>\$ 2,076,241</u>
Total	<u>\$ 1,315,500</u>	<u>\$ 760,741</u>	<u>\$ 2,076,241</u>

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
	<hr/>
Net Cash Flows From Operating Activities	428,315
	<hr/>
Investing Activities	
Withdrawal from endowment	505,852
Purchase of investments	(431,881)
	<hr/>
Net Cash Flows From Investing Activities	73,971
	<hr/>
Financing Activities	
Collections of contributions restricted for long-term purposes	111,898
	<hr/>
Change in Cash and Cash Equivalents	614,184
Cash and Cash Equivalents, Beginning of Year	1,284,580
	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 1,898,764</u>

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.

MiraCosta College Foundation

Notes to Financial Statements

June 30, 2022

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	<u>58,105</u>
	<u>\$ 2,006,869</u>

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	<u>(500,000)</u>
Net Unconditional Promises to Give	<u>\$ 645,671</u>

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.

MiraCosta College Foundation
Notes to Financial Statements
June 30, 2022

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

	<u>Annual Fund</u>	<u>Deferred Action for Childhood Arrivals (DACA)</u>	<u>Hatoff Endowment</u>
Amounts due in			
Due within one year	\$ 62,734	\$ 35,000	\$ 15,000
Due within one to five years	-	25,000	200,000
	<u>62,734</u>	<u>60,000</u>	<u>215,000</u>
Less discount to net present value	-	(62)	(1,988)
Less allowance for uncollectible promises to give	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 62,734</u>	 <u>\$ 59,938</u>	 <u>\$ 213,012</u>
	<u>Karetas Family</u>	<u>Promise Program</u>	<u>Total</u>
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
	<u>10,000</u>	<u>800,000</u>	<u>1,147,734</u>
Less discount to net present value	(13)	-	(2,063)
Less allowance for uncollectible promises to give	-	(500,000)	(500,000)
	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>
 Total	 <u>\$ 9,987</u>	 <u>\$ 300,000</u>	 <u>\$ 645,671</u>

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.

MiraCosta College Foundation
Notes to Financial Statements
June 30, 2022

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.

MiraCosta College Foundation
Notes to Financial Statements
June 30, 2022

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.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>\$ 15,704,005</u>	<u>\$ 1,487,287</u>	<u>\$ 17,191,292</u>
Total			

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.

MiraCosta College Foundation
Notes to Financial Statements
June 30, 2022

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	<u>\$ 604,968</u>	<u>\$ 11,932,055</u>	<u>\$ 12,537,023</u>

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	<u>\$ 604,968</u>	<u>\$ 11,932,055</u>	<u>\$ 12,537,023</u>

MiraCosta College Foundation
Notes to Financial Statements
June 30, 2022

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	<u>1,331,157</u>
Total net assets with time/purpose restriction	<u><u>\$ 6,067,715</u></u>

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	<u>5,864,610</u>
Total net assets with perpetual restriction	<u><u>\$ 11,296,372</u></u>

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	<u>73,025</u>
Total	<u><u>\$ 1,114,265</u></u>

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	<u>50,000</u>
Total	<u><u>\$ 654,968</u></u>

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:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Adjusted</u>
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	<u>20,572,249</u>	<u>(1,069,291)</u>	<u>19,502,958</u>
	<u>\$ 22,924,496</u>	<u>\$ -</u>	<u>\$ 22,924,496</u>

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.

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 no 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” [and \(4\) Title V Grant Endowment](#).

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.
- e.d. The Title V Grant Endowment is to be comprised of Endowment Fund corpus (an amount equal to the endowment challenge grant or grants awarded under this part plus matching funds provided by the institution), Endowment Fund Income (an amount equal to the total value of the fund, including appreciation and retained interest and dividend, minus the endowment fund corpus). Each endowment challenge grant awarded must be matched by the Foundation, must be invested by the Foundation, and must have a duration of 20 years (Please reference spending rules in grant document PART 628 for additional spending rules).

NOTE: Please reference the Investment and Spending Policy Flow Chart located within the appendix.

VI. Solicitation and Acceptance of Gifts Policy

A. A separate policy has been adopted and approved 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.

B.C. [NOTE: Title V Grant Endowment must be held for 20 years. Please reference spending rules in grant document PART 628. Title V Grant Endowment funds will not be included in the aforementioned 'Purpose of Spending'.](#)

C.D. 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.E. 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.F. 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.Asset Allocation Policy–Specific to the Title V Grant Endowment Portfolio](#)

[Exhibit D \(below\) reflects the asset allocation recommended by the Committee for the Title V Grant Endowment within the stated parameters of the grant bylaws.](#)

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.

*No Changes to Flow Chart OR Exhibits A, B or C

(<https://foundation.miracosta.edu/foundation-board/board-manual/investment-and-spending-policy.html>)

Exhibit D

a) A grantee shall invest, for the duration of the grant period, the endowment fund established under this part in savings accounts or in low-risk securities in which a regulated insurance company may invest under the law of the State in which the institution is located.

(b) When investing the endowment fund, the grantee shall exercise the judgment and care, under the circumstances, that a person of prudence, discretion and intelligence would exercise in the management of his or her own financial affairs.

(c) An institution may invest its endowment fund in savings accounts permitted under paragraph (a) of this section such as—

(1) A federally insured bank savings account;

(2) A comparable interest-bearing account offered by a bank;
or

(3) A money market fund.

(d) An institution may invest its endowment fund in low-risk securities permitted under paragraph (a) of this section such as—

(1) Certificates of deposit;

(2) Mutual funds;

(3) Stocks; or

(4) Bonds.

(e) An institution may not invest its endowment fund in real estate.

MiraCosta College
CASE Statement – Summary
Endowment Matching Gift Campaign
What legacy do you want to leave behind?

About MiraCosta College and the Foundation

Founded nearly 90 years ago, MiraCosta College is a public community college serving nearly 22,000 students in eleven communities throughout North County San Diego. MiraCosta College offers undergraduate degrees, university transfer courses, career-and-technical education, certificate programs, basic-skills education, and lifelong-learning opportunities.

The MiraCosta College Foundation, in partnership with our generous community, provides financial support for students pursuing their higher education dreams, on their path toward success. The foundation's vision for MiraCosta is educational opportunities for all.

Student Needs – Today and Tomorrow

Students rely on financial aid to fund their education and basic living expenses, but often this is not nearly enough today, let alone tomorrow.

Today, nearly 50% of MiraCosta College students are economically disadvantaged. Close to 30% of students are the first in their families to attend college. MiraCosta College stands firm in its values of equity and inclusion, illustrated by a student body that is 60% women and 60% students of color.

The next generation of students will face untold challenges. While we can't predict the future, we know that we can prepare.

Today, we have an opportunity to build an endowment that will support thousands of MiraCosta College students tomorrow – in the next generation, and for years to follow.

Tomorrow's legacy is an endowment funded now. Your gift creates a permanent fund where the donation is invested and the interest is used for specific purposes, such as student scholarships. The fund is invested for intergenerational growth and the interest earned on the investment is used to fund charitable purposes designated by the donor.

Investing in the Next Generation of Students

Our goal is to raise \$600,000 from the community, which will be matched dollar for dollar, to total \$1.2M. Our collective \$1.2M will be invested and grow with the market for years to come.

Dollar for Dollar, The Endowment Matching Gift Campaign

Through a significant grant secured by MiraCosta College, every dollar gifted to the MiraCosta College Endowment Fund will be matched, up to \$600,000.

Donations of any size will be matched.

For example, your \$1 investment becomes \$2 with the matching funds, or your investment of \$100,000 becomes \$200,000.

Donors may make a gift in any amount to the MiraCosta College Endowment Fund.

Gifts of \$12,500 or more will establish your Named Endowment Fund. The minimum to establish a named endowment fund is \$25,000. With the matching gift program, your \$12,500 will be matched and double to \$25,000.

Any Investment Today = Exponential Impact Tomorrow

Gifts to the matching endowment campaign are estimated to grow 6% annually. As a result, after being doubled by the match, the total amount will be invested and is projected to grow by nearly 300% within 20 years

Today: \$500 Donated + \$500 Matched = \$1,000 Invested in 2023

Tomorrow: Your investment is estimated to = **\$3,310 in 2043**

= **\$115 distributed per year**, into perpetuity, for students and campus programs



Today: \$12,500 Donated + \$12,500 Matched = \$25,000 Invested in 2023

Tomorrow: Your investment is estimated to = **\$82,755 in 2043**

= **\$2,900 distributed per year**, into perpetuity, for student and campus support



Ways to Give

- With a credit card, use the [online donation form](#)
- Mail a check
MiraCosta College Foundation
1 Barnard Dr. MS7
Oceanside, CA 92056
- Transfer a gift of stock
Email foundation@miracosta.edu or call 760.757.2121 x 6940



Thank you for making a legacy gift today, to support tomorrow's students!

MiraCosta College Foundation
Request for Consideration of Consent Agenda
Board President and Foundation VP/ED Summary and Recommendations

Definition of a Consent Agenda

Agenda items not deemed to require discussion and require only the action of approval can be grouped to form the consent agenda. As a result, they are recommended to be voted on together without discussion. In *Roberts Rules of Order*, this is called a Consent Calendar.

Purpose of Adopting a Consent Agenda

Consent agendas free up meeting time for more energetic, meaningful discussions around goals, actions, and strategy. In addition, Board members play a more active role in preparing for the meeting and determining what the issues and topics of discussion will be, during the meeting, since board members can request that any agenda item be removed from the consent agenda for individual discussion.

Ensuring Success

Success requires board members to have sufficient time to read the entire packet to determine if any item should be pulled separately from the consent agenda for discussion and approval. In addition, Board members can use the extra time to bring energy and discussion into topics that can move the foundation forward and create momentum in achieving goals.

Process

The Foundation Board President, with the Vice President of Advancement / Executive Director, identifies which items to include in the consent agenda when preparing the board meeting agenda and packet.

- In the meeting agenda, the consent agenda is listed immediately following the “Changes in Agenda Order” item (towards the beginning of the meeting).
- When introducing the consent agenda, the Board President will ask members which items, if any, should be removed from the consent agenda for discussion. Members may request that an item be removed for any reason. For example, board members may want to discuss, question, or vote against the item.
- Any items requested will be removed without question.
- Items will be placed on the meeting agenda separately following the consent agenda or later in the meeting, as determined by the Board President.
- When no more items are to be removed, the Board President or Administrative Assistant reads out the numbers for the items remaining on the consent agenda and asks for a motion to approve, a second, and a final vote of approval by the board members.
- When preparing the minutes, the Secretary includes the full text of the resolutions, reports, or recommendations adopted as part of the consent agenda.

Items to be considered for consent agenda in FY 23/24

- Approval of board meeting minutes
- Financial statements – only if discussion is not needed
- Reports provided for informational purposes
 - Committee Reports
 - Executive Reports
 - Informational Reports or Material
- Organizational Documents – routine updates (spelling, formatting, date changes, title changes, address changes, etc.)
- Routine Correspondence or Conventional Bylaws Actions (signatory authority for a bank account, annual contract updates, or other routine items that require board approval as stated in bylaws).



Prepared for

MiraCosta College Foundation

August 1, 2023



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For institutional use only. Not for distribution to retail investors.

Agenda

- I. June 30, 2023 performance summary
- II. Market overview and outlook
- III. Economic outlook
- IV. Artificial intelligence

Presented by:

Andrew Maslick, CFP®, CAIA
Senior Investment Consultant
VIAS

June 30, 2023 performance summary

Total portfolio valuation

	31-Dec-22	31-Mar-23	30-Jun-23
Endowment portfolio	\$13,818,780	\$12,792,908	\$13,262,041
Excess reserve portfolio	\$2,004,279	\$3,348,906	\$3,444,770
Reserve portfolio	\$0	\$1,002,110	\$1,006,839
Total	\$15,823,059	\$17,143,924	\$17,713,650

Endowment portfolio

Portfolio monthly snapshot

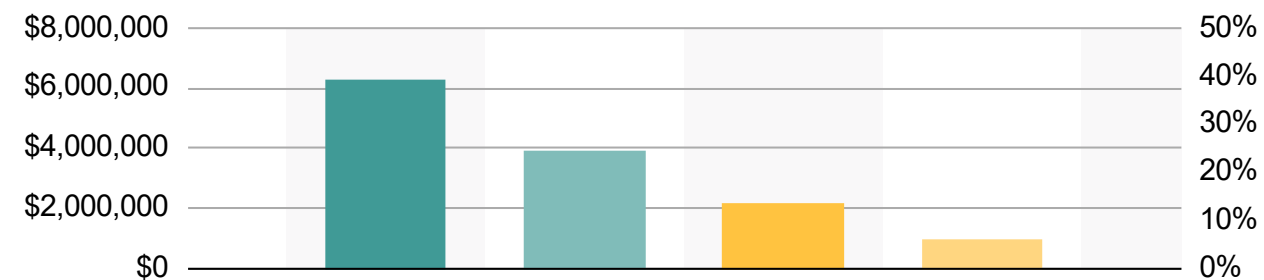
Miracosta College Foundation - Endowment Portfolio

As of June 30, 2023

Cash flow and market activity by portfolio

	One Month	Year-to-Date	One Year
Beginning Market Value	\$12,700,858.04	\$13,818,780.46	\$13,633,531.24
Net Cash Flow	\$0.00	-\$1,879,771.82	-\$1,865,192.45
Net Capital Appreciation	\$487,662.01	\$1,183,008.01	\$1,184,296.86
Investment Income	\$73,521.25	\$140,024.65	\$309,405.65
Ending Market Value	\$13,262,041.30	\$13,262,041.30	\$13,262,041.30

Current asset allocation by sub-asset class



	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Non-U.S. Fixed Income
Current	\$6,264,201	\$3,894,513	\$2,166,270	\$937,057
Current %	47.23%	29.37%	16.33%	7.07%
Policy %	45.00%	30.00%	17.50%	7.50%
Difference	2.23%	-0.63%	-1.17%	-0.43%

Performance summary

	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	4.42	4.52	10.78	12.17	7.71	6.66	-	7.17	01/31/14
Client portfolio (net)	4.42	4.45	10.64	11.90	7.49	6.43	-	6.91	01/31/14
Policy benchmark	4.32	4.41	10.59	12.22	7.59	6.62	-	7.17	01/31/14

Source: Vanguard. See Benchmark allocation history for description of what the policy benchmark represents. Policy Benchmark is rebalanced monthly. Portfolio is generally rebalanced quarterly, but may vary. **Past performance is not a guarantee of future results.** Diversification and asset allocation can not ensure profit or prevent loss. All returns shown are time-weighted (TWR). Gross Portfolio returns include the deduction of all underlying fund expense ratios, but are gross of advisory, service fees, and purchase/redemption fees applied to the client portfolio. Net Portfolio returns are net of all advisory and security-level fees and expenses. Both Gross and Net returns do reflect the reinvestment of dividends, capital gains, and interest but do not reflect the deduction of taxes. Had those expenses been deducted then performance would have been lower. Indexes are unmanaged; therefore direct investment is not possible. Index returns do not reflect deduction of fees and expenses but do reflect reinvestment of dividends, capital gains, and interest. **Read additional information in Benchmark and Disclosures sections.**

Performance summary

Miracosta College Foundation - Endowment Portfolio

For the periods ended June 30, 2023

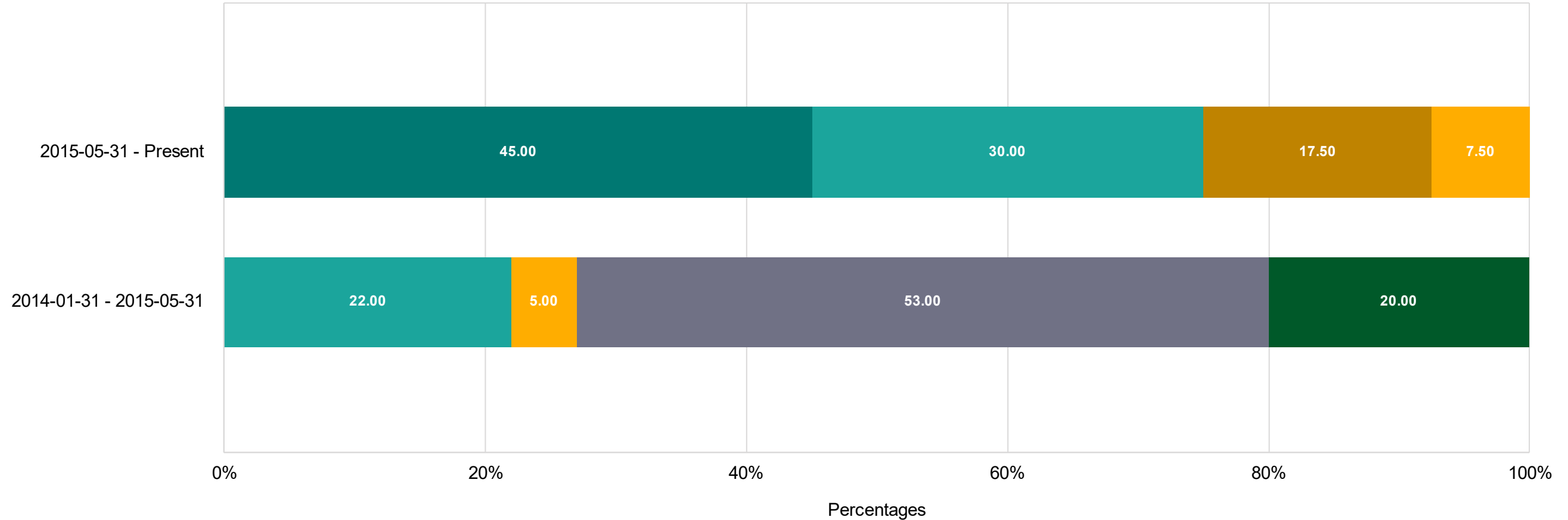
	Mkt value (\$)	% of portfolio	Policy benchmark	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	13,262,041	100.0	100.0	4.42	4.52	10.78	12.17	7.71	6.66	-	7.17	01/31/14
Client portfolio (net)				4.42	4.45	10.64	11.90	7.49	6.43	-	6.91	01/31/14
Policy benchmark				4.32	4.41	10.59	12.22	7.59	6.62	-	7.17	01/31/14
■ Equity	10,158,715	76.6	75.0	5.89	6.11	13.45	16.27	11.28	8.29	-	8.85	01/31/14
Equity - Benchmark				5.84	6.05	13.33	16.53	11.38	8.28	-	8.83	01/31/14
• Domestic Equity	6,264,201	47.2	45.0	6.84	8.41	16.17	18.93	13.76	11.30	-	11.59	01/31/14
• International Equity	3,894,513	29.4	30.0	4.39	2.61	9.43	12.34	7.53	3.70	-	4.30	01/31/14
■ Fixed Income	3,103,327	23.4	25.0	-0.12	-0.40	2.89	0.16	-3.45	0.96	-	1.71	01/31/14
Fixed Income - Benchmark				-0.25	-0.49	2.56	-0.44	-3.76	0.69	-	1.60	01/31/14
• Domestic Fixed Income	2,166,270	16.3	17.5	-0.15	-0.62	2.53	0.11	-3.48	1.28	-	1.68	01/31/14
• International Fixed Income	937,057	7.1	7.5	-0.05	0.13	3.71	0.27	-3.38	0.23	-	1.86	01/31/14

Source: Vanguard. See Benchmark allocation history for description of what the policy benchmark and asset-class benchmarks represent. Policy Benchmark is rebalanced monthly. Portfolio is generally rebalanced quarterly, but may vary. All Returns greater than one year are annualized. **Past performance is not a guarantee of future results.** Diversification and asset allocation can not ensure profit or prevent loss. All returns shown are time-weighted (TWR). Gross Portfolio returns include the deduction of all underlying fund expense ratios, but are gross of advisory, service fees, and purchase/redemption fees applied to the client portfolio. Net Portfolio returns are net of all advisory and security-level fees and expenses. Both Gross and Net returns do reflect the reinvestment of dividends, capital gains, and interest but do not reflect the deduction of taxes. Had those expenses been deducted then performance would have been lower. Indexes are unmanaged; therefore direct investment is not possible. Unless otherwise noted, index returns do not reflect deduction of fees and expenses but do reflect reinvestment of dividends, capital gains, and interest. **Read additional information in Benchmark and Disclosures sections.**

Benchmark allocation history

Miracosta College Foundation - Endowment Portfolio

Policy benchmark allocations up to June 30, 2023



- Spliced Total Stock Market Index
- Spliced Bloomberg U.S. Aggregate Float Adjusted Index
- Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Hedged
- CRSP U.S. Total Market Index
- Bloomberg U.S. Aggregate Float Adjusted Index

- Spliced Total International Stock Index

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Excess reserve portfolio

Portfolio monthly snapshot

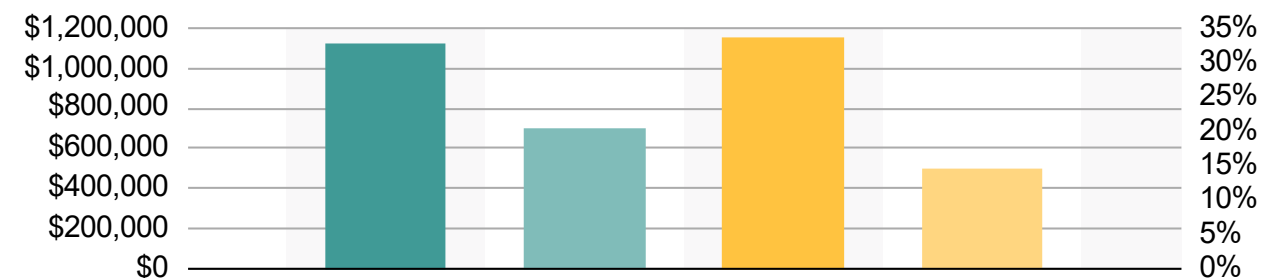
Miracosta College Foundation - Excess Reserve Portfolio

As of June 30, 2023

Cash flow and market activity by portfolio

	One Month	Year-to-Date	One Year
Beginning Market Value	\$3,345,943.44	\$2,004,279.70	\$2,009,121.58
Net Cash Flow	\$0.00	\$1,202,159.92	\$1,199,716.69
Net Capital Appreciation	\$83,068.62	\$201,832.02	\$174,396.12
Investment Income	\$15,758.54	\$36,498.97	\$61,536.21
Ending Market Value	\$3,444,770.60	\$3,444,770.60	\$3,444,770.60

Current asset allocation by sub-asset class



	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Non-U.S. Fixed Income
Current	\$1,119,934	\$691,135	\$1,141,646	\$492,056
Current %	32.51%	20.06%	33.14%	14.28%
Policy %	30.00%	20.00%	35.00%	15.00%
Difference	2.51%	0.06%	-1.86%	-0.72%

Performance summary

	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	2.95	2.93	8.18	8.05	3.22	4.43	-	5.42	03/31/16
Client portfolio (net)	2.95	2.86	8.05	7.79	3.00	4.20	-	5.18	03/31/16
Policy benchmark	2.80	2.77	7.88	7.95	3.28	4.54	-	5.34	03/31/16

Source: Vanguard. See Benchmark allocation history for description of what the policy benchmark represents. Policy Benchmark is rebalanced monthly. Portfolio is generally rebalanced quarterly, but may vary. **Past performance is not a guarantee of future results.** Diversification and asset allocation can not ensure profit or prevent loss. All returns shown are time-weighted (TWR). Gross Portfolio returns include the deduction of all underlying fund expense ratios, but are gross of advisory, service fees, and purchase/redemption fees applied to the client portfolio. Net Portfolio returns are net of all advisory and security-level fees and expenses. Both Gross and Net returns do reflect the reinvestment of dividends, capital gains, and interest but do not reflect the deduction of taxes. Had those expenses been deducted then performance would have been lower. Indexes are unmanaged; therefore direct investment is not possible. Index returns do not reflect deduction of fees and expenses but do reflect reinvestment of dividends, capital gains, and interest. **Read additional information in Benchmark and Disclosures sections.**

Performance summary

Miracosta College Foundation - Excess Reserve Portfolio

For the periods ended June 30, 2023

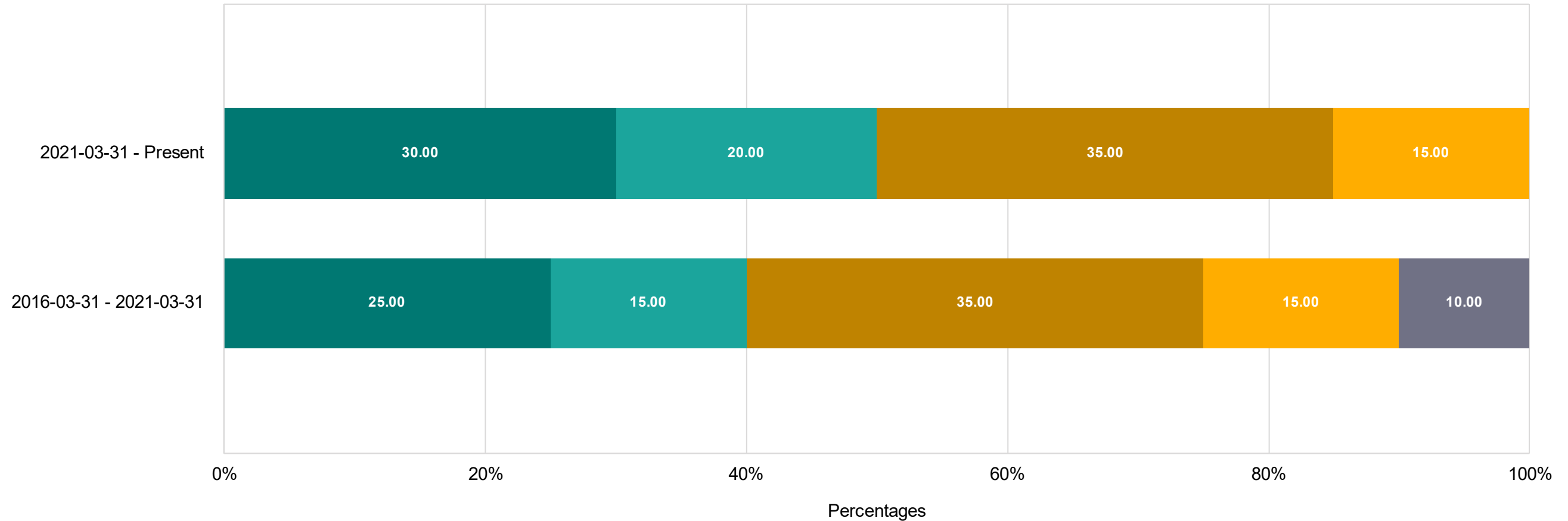
	Mkt value (\$)	% of portfolio	Policy benchmark	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	3,444,771	100.0	100.0	2.95	2.93	8.18	8.05	3.22	4.43	-	5.42	03/31/16
Client portfolio (net)				2.95	2.86	8.05	7.79	3.00	4.20	-	5.18	03/31/16
Policy benchmark				2.80	2.77	7.88	7.95	3.28	4.54	-	5.34	03/31/16
■ Equity	1,811,069	52.6	50.0	5.89	6.12	13.48	16.30	10.18	7.55	-	9.46	03/31/16
Equity - Benchmark				5.84	6.05	13.33	16.53	10.30	7.85	-	9.51	03/31/16
• Domestic Equity	1,119,934	32.5	30.0	6.84	8.41	16.29	19.06	13.80	11.33	-	12.76	03/31/16
• International Equity	691,135	20.1	20.0	4.39	2.61	9.63	12.54	7.71	3.80	-	6.27	03/31/16
■ Fixed Income	1,633,702	47.4	50.0	-0.12	-0.40	2.86	0.17	-3.44	0.98	-	1.06	03/31/16
Fixed Income - Benchmark				-0.25	-0.49	2.56	-0.44	-3.76	0.69	-	0.85	03/31/16
• Domestic Fixed Income	1,141,646	33.1	35.0	-0.15	-0.63	2.50	0.12	-3.47	1.30	-	1.16	03/31/16
• International Fixed Income	492,056	14.3	15.0	-0.05	0.13	3.19	-0.23	-3.54	0.13	-	0.75	03/31/16

Source: Vanguard. See Benchmark allocation history for description of what the policy benchmark and asset-class benchmarks represent. Policy Benchmark is rebalanced monthly. Portfolio is generally rebalanced quarterly, but may vary. All Returns greater than one year are annualized. **Past performance is not a guarantee of future results.** Diversification and asset allocation can not ensure profit or prevent loss. All returns shown are time-weighted (TWR). Gross Portfolio returns include the deduction of all underlying fund expense ratios, but are gross of advisory, service fees, and purchase/redemption fees applied to the client portfolio. Net Portfolio returns are net of all advisory and security-level fees and expenses. Both Gross and Net returns do reflect the reinvestment of dividends, capital gains, and interest but do not reflect the deduction of taxes. Had those expenses been deducted then performance would have been lower. Indexes are unmanaged; therefore direct investment is not possible. Unless otherwise noted, index returns do not reflect deduction of fees and expenses but do reflect reinvestment of dividends, capital gains, and interest. **Read additional information in Benchmark and Disclosures sections.**

Benchmark allocation history

Miracosta College Foundation - Excess Reserve Portfolio

Policy benchmark allocations up to June 30, 2023



Spliced Total Stock Market Index
 Spliced Total International Stock Index
 Spliced Bloomberg U.S. Aggregate Float Adjusted Index
 Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index
 MSCI ACWI Minimum Volatility Net Total Return Index

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Reserve portfolio

Portfolio monthly snapshot

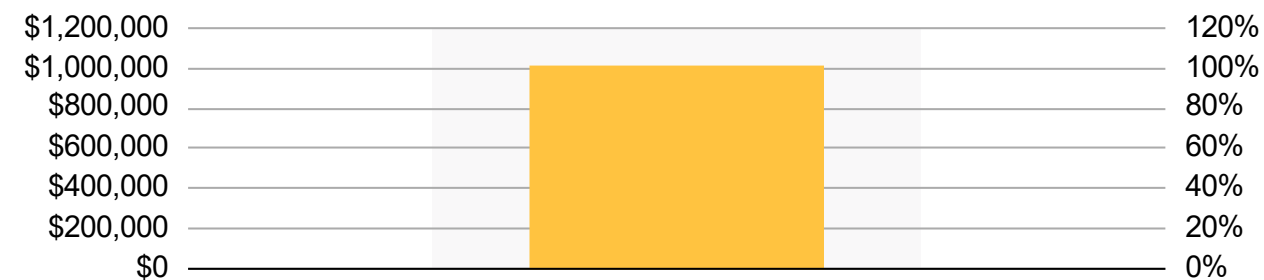
MiraCosta College Foundation - Reserve Portfolio

As of June 30, 2023

Cash flow and market activity by portfolio

	One Month
Beginning Market Value	\$1,006,839.11
Net Cash Flow	\$0.00
Net Capital Appreciation	-\$1,018.04
Investment Income	\$3,451.15
Ending Market Value	\$1,009,272.21

Current asset allocation by sub-asset class



	U.S. Fixed Income
Current	\$1,009,272
Current %	100.00%
Policy %	100.00%
Difference	0.00%

Performance summary

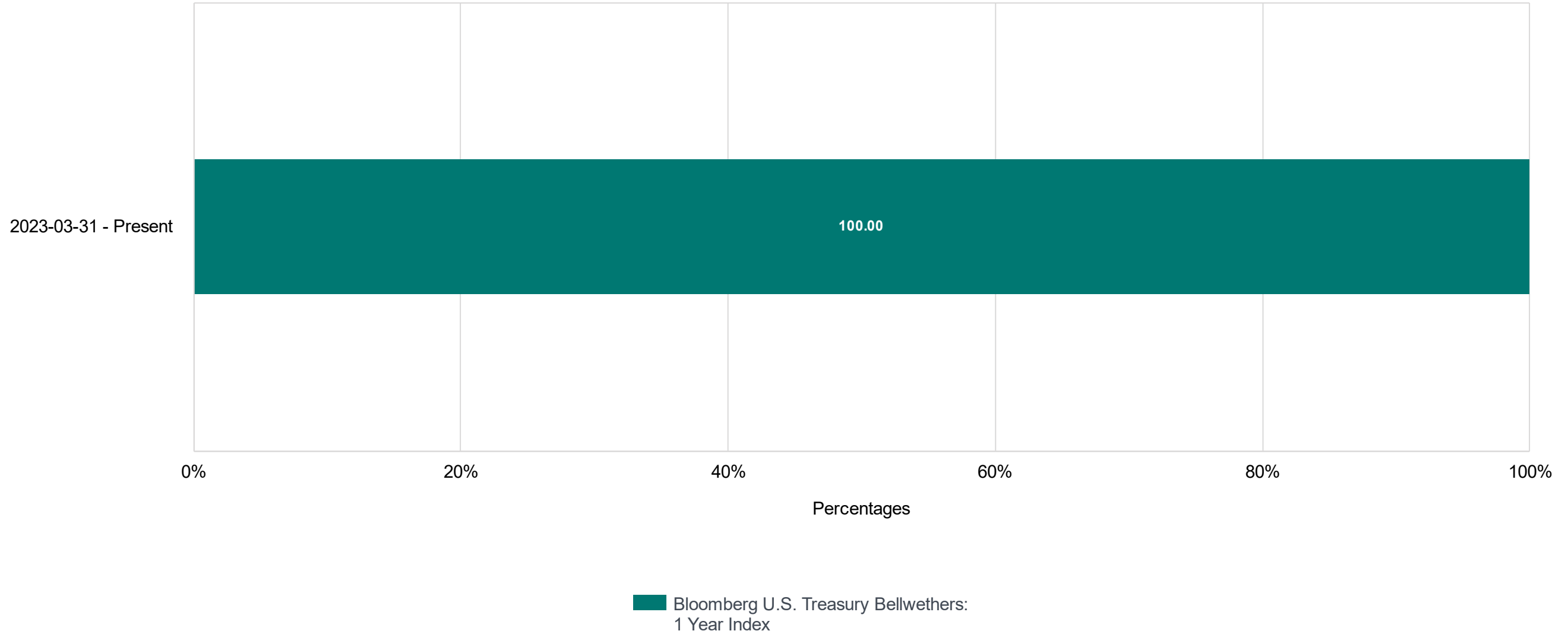
	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	0.24	0.78	-	-	-	-	-	0.78	03/31/23
Client portfolio (net)	0.24	0.71	-	-	-	-	-	0.71	03/31/23
Policy benchmark	0.21	0.44	-	-	-	-	-	0.44	03/31/23

Source: Vanguard. See Benchmark allocation history for description of what the policy benchmark represents. Policy Benchmark is rebalanced monthly. Portfolio is generally rebalanced quarterly, but may vary. **Past performance is not a guarantee of future results.** Diversification and asset allocation can not ensure profit or prevent loss. All returns shown are time-weighted (TWR). Gross Portfolio returns include the deduction of all underlying fund expense ratios, but are gross of advisory, service fees, and purchase/redemption fees applied to the client portfolio. Net Portfolio returns are net of all advisory and security-level fees and expenses. Both Gross and Net returns do reflect the reinvestment of dividends, capital gains, and interest but do not reflect the deduction of taxes. Had those expenses been deducted then performance would have been lower. Indexes are unmanaged; therefore direct investment is not possible. Index returns do not reflect deduction of fees and expenses but do reflect reinvestment of dividends, capital gains, and interest. **Read additional information in Benchmark and Disclosures sections.**

Benchmark allocation history

MiraCosta College Foundation - Reserve Portfolio

Policy benchmark allocations up to June 30, 2023



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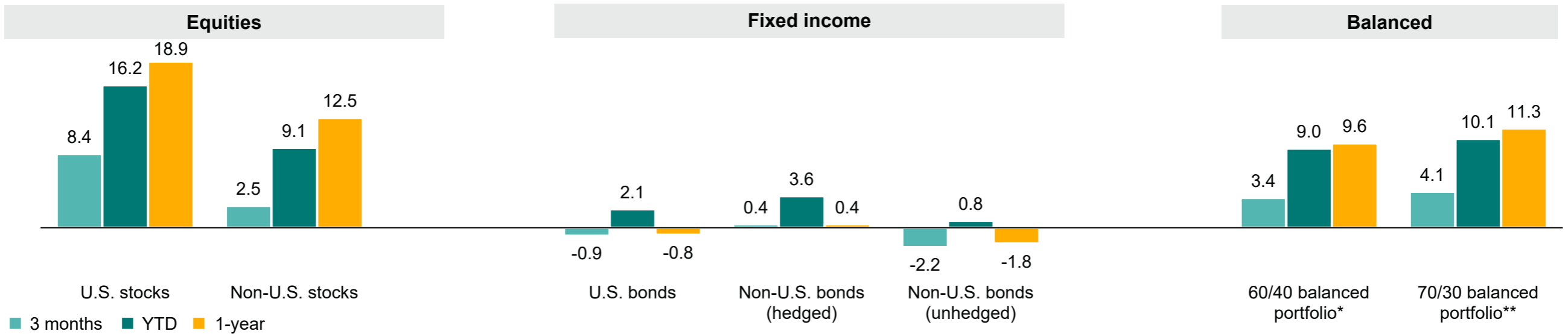
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Market overview and outlook

Global markets rebound after challenging quarter

- The first half of 2023 featured bank failures in the US and Europe, a debt ceiling impasse in the US, and geopolitical disputes related to the war in Ukraine and US-China relations
- Still, global markets showed resilience in June. Global equities rose by 5.8% in June, while global government bonds edged lower by 0.1%
- The Fed paused its rate hiking cycle in June, maintaining the 5-5.25% target rate. It was the first pause after a 15-month period of consecutive increases.

Global market returns as of June 30, 2023 (%)



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: Bloomberg, FTSE, MSCI, Russell, CRSP and Dow Jones.

US Stocks (CRSP US Total Market Index), Non-US Stocks (FTSE Global All-Cap ex-US Index), US Bonds (Bloomberg US Aggregate Float Adjusted Index), Non-US Bonds hedged (Bloomberg Global Aggregate ex-USD Float Adjusted RIC Capped Index hedged), Non-US Bonds unhedged (Bloomberg Global Aggregate Index ex-USD).

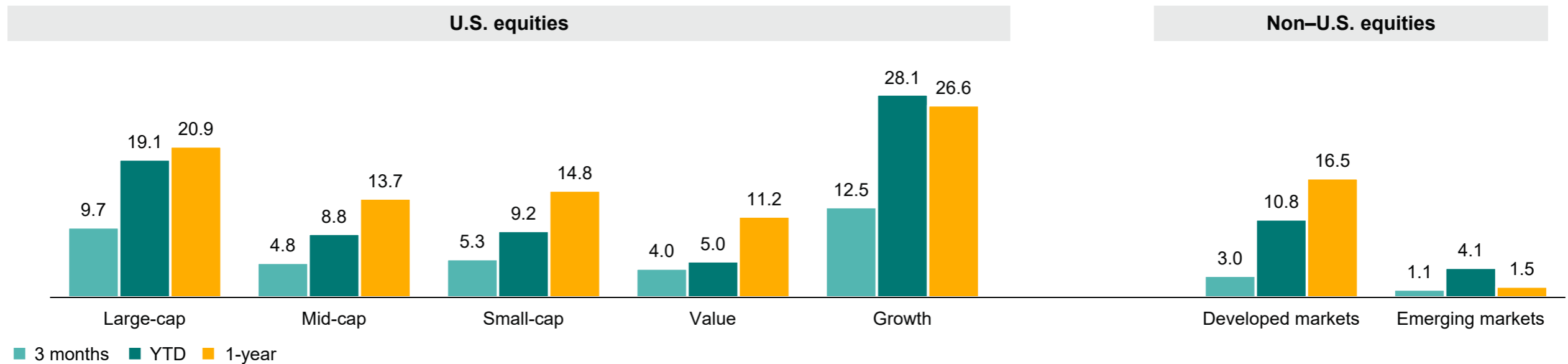
* 60/40 balanced portfolio Static Composite (36% U.S. stocks, 24% international stocks, and 28% investment-grade U.S. bonds, 12% investment-grade international bonds).

** 70/30 balanced portfolio Static Composite (42% U.S. stocks, 28% international stocks, and 21% investment-grade U.S. bonds, 9% investment-grade international bonds).

Large-cap continues to lead the way. Mid and Small-caps have a strong rebound.

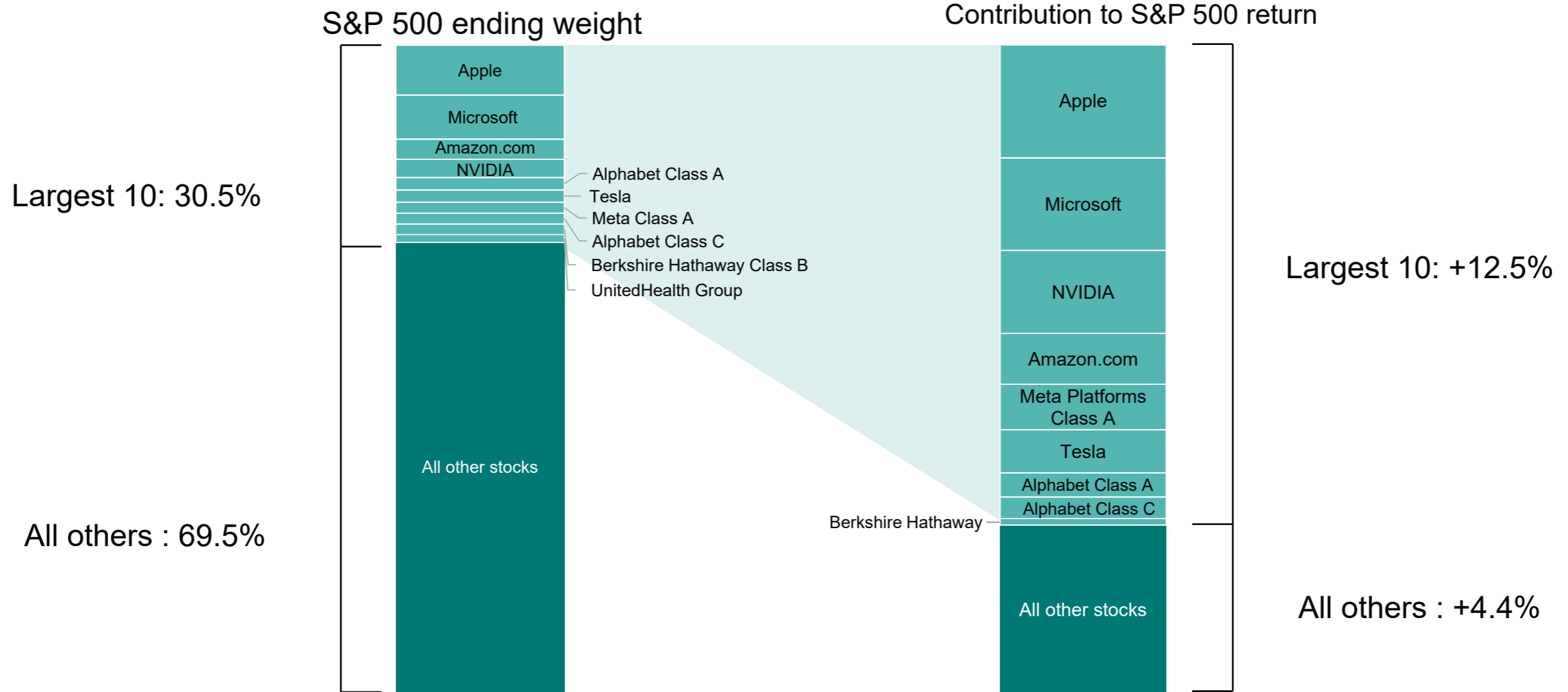
- With the end of Q2, the bear market that stapled the Pandemic Era economy appears to be over for stocks.
- The S&P 500 had its strongest first half since 2019, growing 6.47% in June, 15.91% YTD. The Nasdaq 100 was up 6.5% in June, 38.8% YTD
- Mega-cap stocks such as AAPL, NVDA, and META fueled the rally in Q2.
- Still, June presented favorable winds for Mid and Small-cap stocks. S&P Midcap 400 was up close to 9%, while the Russell 2000 small Caps Index surge 8.1% in the month.

Global equity market returns as of June 30, 2023 (%)



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: FTSE, MSCI, Russell, CRSP and Dow Jones.
 Large-cap (CRSP US Mega Cap Index), Mid-cap (CRSP US Mid Cap Index), Small-cap (CRSP US Small Cap Index); Value (Russell 3000 Value Index), Growth (Russell 3000 Growth Index); Developed markets (FTSE Developed All Cap ex-US Index), Emerging markets (FTSE Emerging Markets All Cap China A Inclusion Index).

2023 YTD - The 10 largest companies in the S&P 500 contribute to 74% of the S&P 500 return



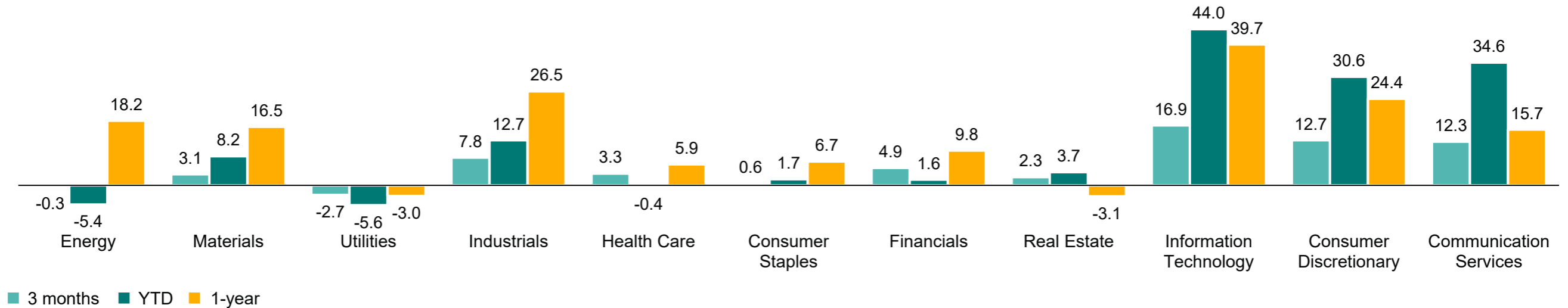
Source: Factset as of 6/30/2023.

The performance data shown represent past performance, which is not a guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

IT remains strong, while other sectors start to catch-up

- Q2 saw a dramatic increase in the focus towards Artificial Intelligence. Many companies mentioned developments in AI on the corporate earnings calls.
- Most sectors ended the quarter in the positive. Information Technology sector lead the way, while Consumer discretionary, materials, and Industrials had double-digit gains in June.
- While all sectors finished June in the green, Defensive sectors such as Energy, Utilities, and Consumer staples were the laggards in Q2.

U.S. equity sector returns as of June 30, 2023 (%)



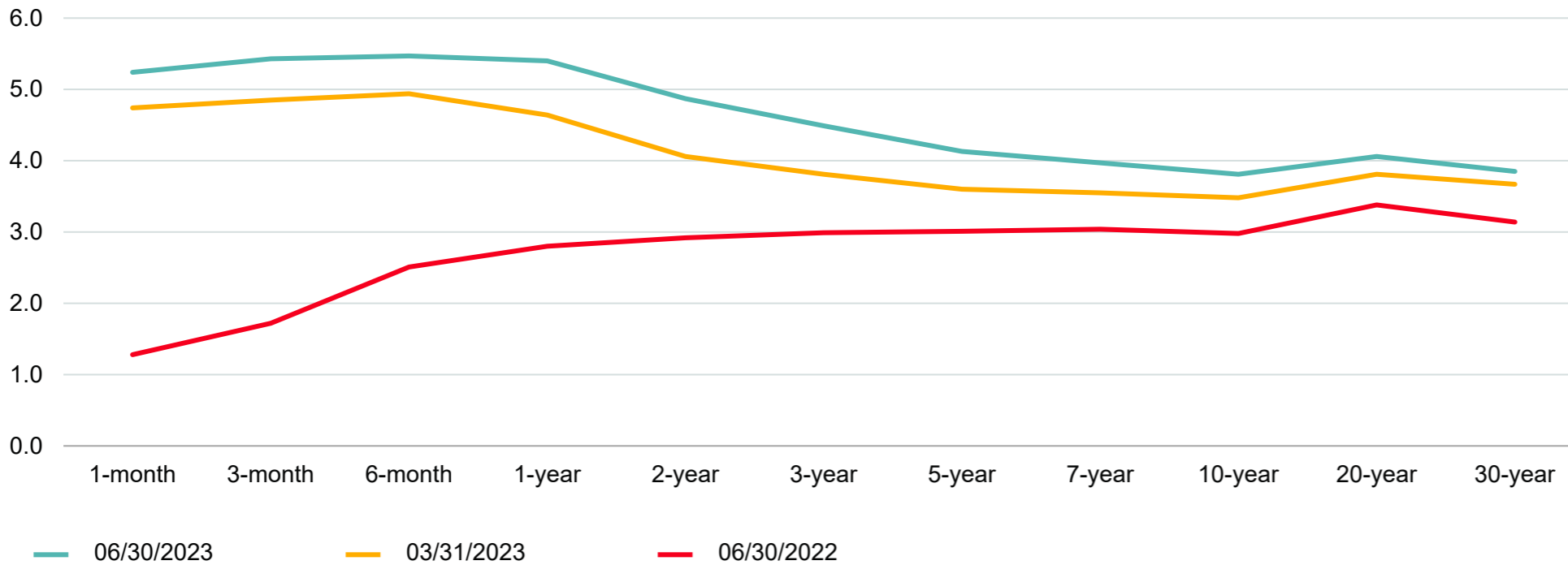
Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: FactSet.

U.S. markets measured by CRSP U.S. Total Market Index.

Yields rise in the medium-term amid upcoming Fed meetings

Yield (%) and change (bps)	1-month	3-month	6-month	1-year	2-year	3-year	5-year	7-year	10-year	20-year	30-year
Current yield (%)	5.24	5.43	5.47	5.40	4.87	4.49	4.13	3.97	3.81	4.06	3.85
3 Mo. Δ	50	58	53	76	81	68	53	42	33	25	18
12 Mo. Δ	396	371	296	260	195	150	112	93	83	68	71



Source: Morningstar.

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2023 outlook at a glance

Asset-class return outlooks

Our ten-year annualized nominal return projections, as of March 31, 2023 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

4.1%–6.1%

17.2% median volatility

U.S. aggregate bonds

3.6%–4.6%

5.5% median volatility

Global equities ex-U.S. (unhedged)

6.4%–8.4%

18.5% median volatility

Global bonds ex-U.S. (hedged)

3.6%–4.6%

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 March 31, 2023. Results from the model may vary with each use and over time. For more information, see Important information page.

Source: Vanguard Investment Strategy Group.

Portfolio solutions	Asset classes	60/40	70/30	80/20
<ul style="list-style-type: none"> ✓ Review portfolio strategy ✓ Maintain a disciplined approach, adhere to enduring investment principles, and maintain a long-term focus ✓ Update investment policy statement to reflect strategy and allocation 	U.S. Equity	37%	43%	49%
	Non-U.S. Equity	23%	27%	31%
	U.S Treasuries	12%	9%	6%
	U.S Credit Fixed Income	16%	12%	8%
	Non-U.S. Aggregate Fixed Income	12%	9%	6%
Projected outcomes (10 year)				
	Median Nominal Return	5.4%	5.6%	5.7%
	Nominal Return Ranges (25 th to 75 th percentile)	4.0 – 6.9%	3.9 – 7.2%	3.8 – 7.6%
	Probability of meeting or exceeding 5% Nominal Return	57.5%	58.7%	59.6%
	Probability of meeting or exceeding 5% Real Return	20.3%	24.4%	27.4%
	Probability of a negative return of 10% or worse in any given year (nominal)	41.5%	56.4%	67.9%
	Probability of a negative return of 20% or worse in any given year (nominal)	4.7%	9.9%	17.9%

Source: Vanguard

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 March 31, 2023. Results from the model may vary with each use and over time. For more information, please see the important information slide.

Projected performance returns of the asset classes within the portfolio(s) are based upon underlying benchmarks. Projected returns assume annual rebalancing. The returns shown reflect the deduction of all fees and expenses paid by the client with respect to services. The hypothetical performance shown also reflects the reinvestment of dividends, capital gains, and interest. Projected returns do not reflect the effect of taxes. Had taxes been included returns would have been lower. Indexes are unmanaged; direct investment is not possible. Projected returns may vary from actual portfolio performance and clients may have investment results that are materially different from results portrayed. There are limitations inherent in the projected results, particularly that the model does not reflect actual trading and may not reflect the effect that material economic and market factors had on the adviser's decision-making had the adviser actually managed the client's portfolio. Projected performance does not represent actual returns and the interpretation of the results should take into consideration the limitations inherent in the results of the projected performance model.

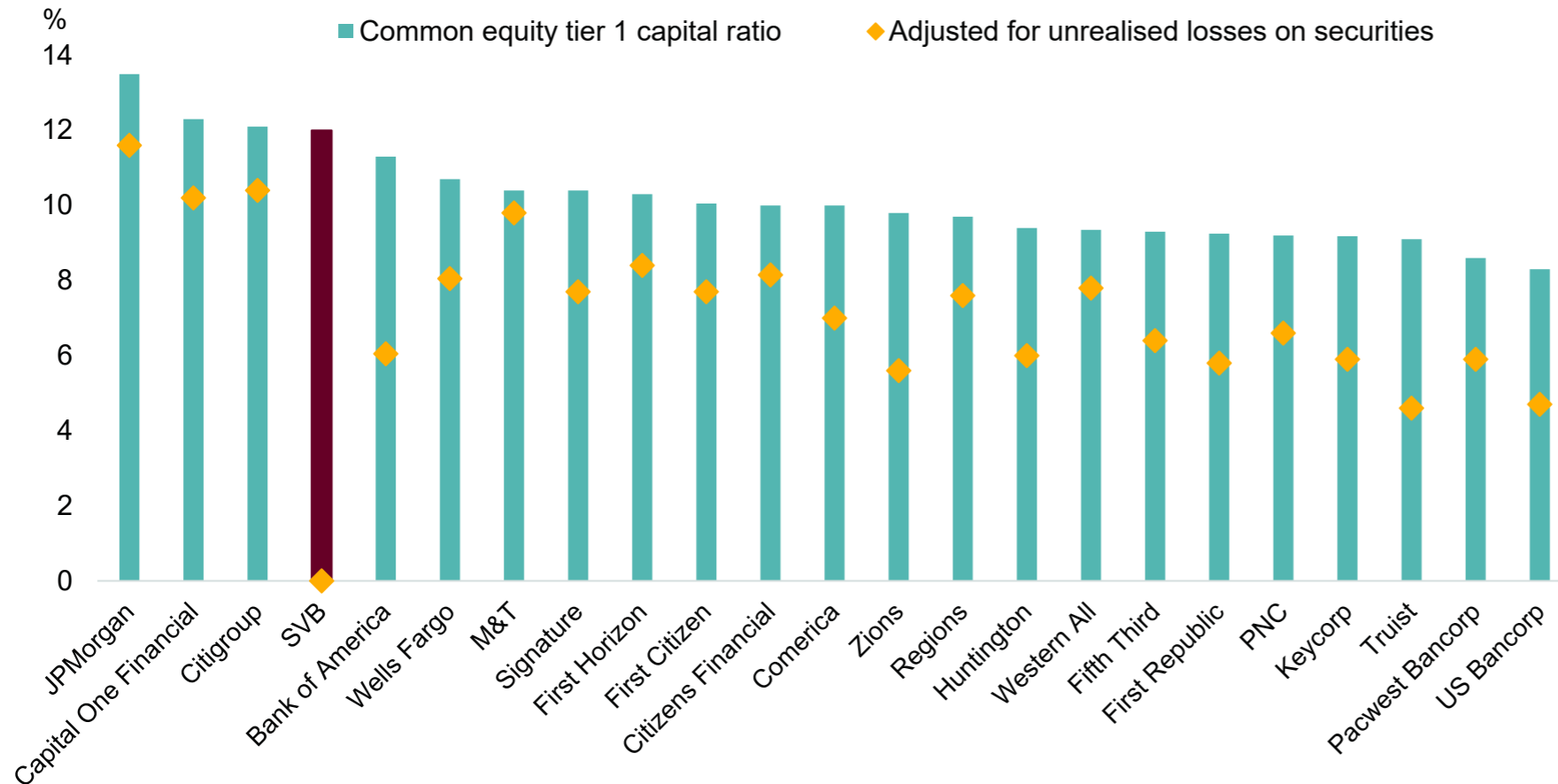
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Proverbs as perspective

Banking unrest

SVB was an exception, not the rule

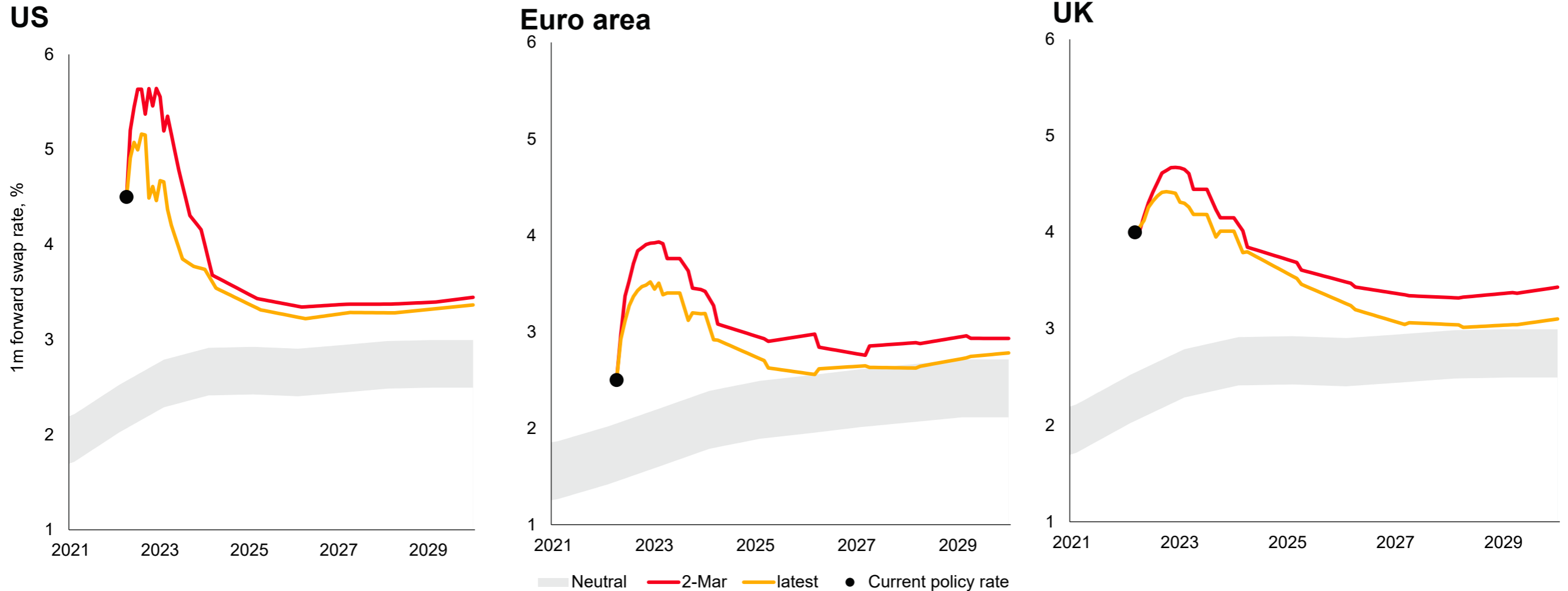
US bank capital ratios, adjusted for unrealised losses on securities



- Most regional US banks still have a positive capital base, even after adjusting for unrealised losses.
- SVB was the exception. Poor risk management.

Source: Financial Times, Vanguard, as at Q4 2022

Financial market reaction (2): Rate hike expectations pared back



Note: Monthly data from March 2023 until December 2030. Market expectations for central bank policy rates at a given time are represented by one-month forward swap rates. Shaded bands represent Vanguard neutral rate estimates, which are determined by long-term economic factors and are subject to a wide band of statistical uncertainty. Estimates of the nominal neutral rate assume inflation of 2% in the US & UK, and 1.8% in the euro area. US terminal rate shows the lower bound of the target federal funds rate. Source: Vanguard calculations, using data from Bloomberg, as of 14 March 2023.

Economic outlook

Vanguard's forecasts for year-end 2023

	2023 economic growth	2023 inflation*	2023 monetary policy**	2023 unemployment rate
United States	0.75%	3.3%	5.25%–5.5%	4.5%
Canada	0.8%	3.2%	5%	5.5%
Mexico	1.8%–1.9%	5.6%	11.25%	3.5%
United Kingdom	0%	4.9%	5.5%–5.75%	4%–4.5%
Euro area	0.5%	3.3%	3.75%–4%	7%–7.5%
China	5.5%–6%	1%	2.45%–2.55%	4.7%
Australia	1%–1.5%	4.5%	4.6%	4%

Notes: Figures related to economic growth, inflation, monetary policy, and unemployment rate are Vanguard forecasts for the end of 2023.

Growth and inflation are comparisons with the end of the preceding year; monetary policy and unemployment rate are absolute levels.

Source: Vanguard, as of June 26, 2023.

* Inflation forecasts are for core inflation, which excludes volatile energy and food prices, except for Australia, where we measure headline inflation, which includes food and energy..

** Our forecast for the United States year-end monetary policy rate reflects our expected Federal Reserve federal funds target range..

United States

ECONOMIC GROWTH

0.75%

Recovery from the brief 2020 recession has endured an aggressive Federal Reserve interest rate-hiking cycle. Recent growth has been stable at about 2%, annualized. We still assign a high probability to a recession, though the odds have risen that it could be delayed from 2023 to 2024.

CORE INFLATION

3.3%

Our base case is for the pace of consumer price increases to continue easing. Shelter inflation should slow in the second half of 2023 and return to its pre-pandemic pace by 2024. Slowing momentum in labor markets should also lower ex-shelter services inflation later this year.

MONETARY POLICY

5.25%–5.5%

Given the lags between monetary policy shifts and discernible changes in the economy, Fed policymakers could decide that their 5 percentage points of interest rate hikes are enough to knock inflation down to their 2% target. But we view at least one more rate increase as probable.

UNEMPLOYMENT RATE

4.5%

In our 2023 outlook, we described a weakening labor market as a condition for falling inflation. The labor market has remained resilient even as disinflation has continued. Unemployment remains below 4%, where it stood at the start of the Fed's rate-hiking cycle. We expect softening as a condition for progress on inflation.

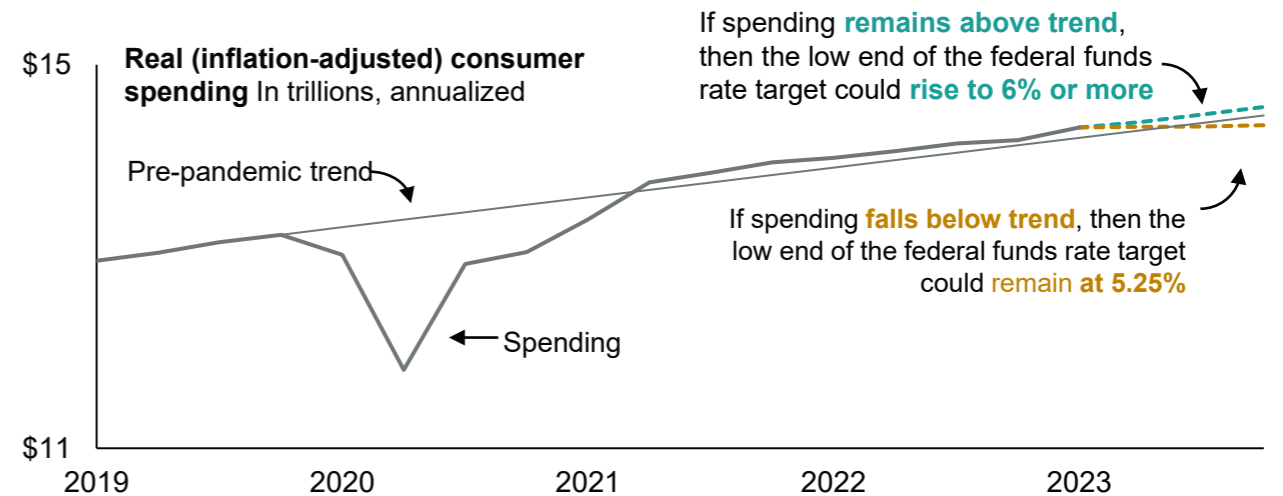


Josh Hirt
Vanguard Senior
Economist

WHAT I'M WATCHING

Consumer spending and the Fed's hiking cycle

Consumer spending has remained remarkably consistent over the past year despite persistent inflation. If spending remains on this path, the Federal Reserve will have more work to do. Increasing the policy rate another three-quarters of a percentage point is not out of the question under such conditions.



Growth, inflation, monetary policy, and unemployment figures above are end-2023 Vanguard forecasts. Growth and inflation are comparisons with year-end 2022; monetary policy and unemployment are absolute.

Notes: The Federal Reserve sets the federal funds rate target—typically a range—as a goal for the level of short-term interest rates. The pre-pandemic trend shows the average pace of growth in real consumer spending between 2017 and 2019.

Sources: Vanguard calculations, based on U.S. Bureau of Economic Analysis data as of June 12, 2023.



Artificial intelligence

Artificial Intelligence

Artificial intelligence (AI): The field that combines computer science and data to solve problems, often in a human-like way.

Machine learning (ML): The branch of AI that uses data and algorithms to enable a machine to imitate human behavior.

Generative AI: A form of machine learning that can create brand new, unique material from whatever the data source is.

Large language model (LLM): A type of machine learning model that uses vast amounts of data to create unique content.

ChatGPT: A LLM and form of generative AI, developed by OpenAI, trained to navigate vast amounts of public data sources to generate human-like text responses to whatever a user requests.

Bill Gates: “We always **overestimate** the change that will occur in the next **two years**...and **underestimate** the change that will occur in the next **ten**.”



Source: Vanguard

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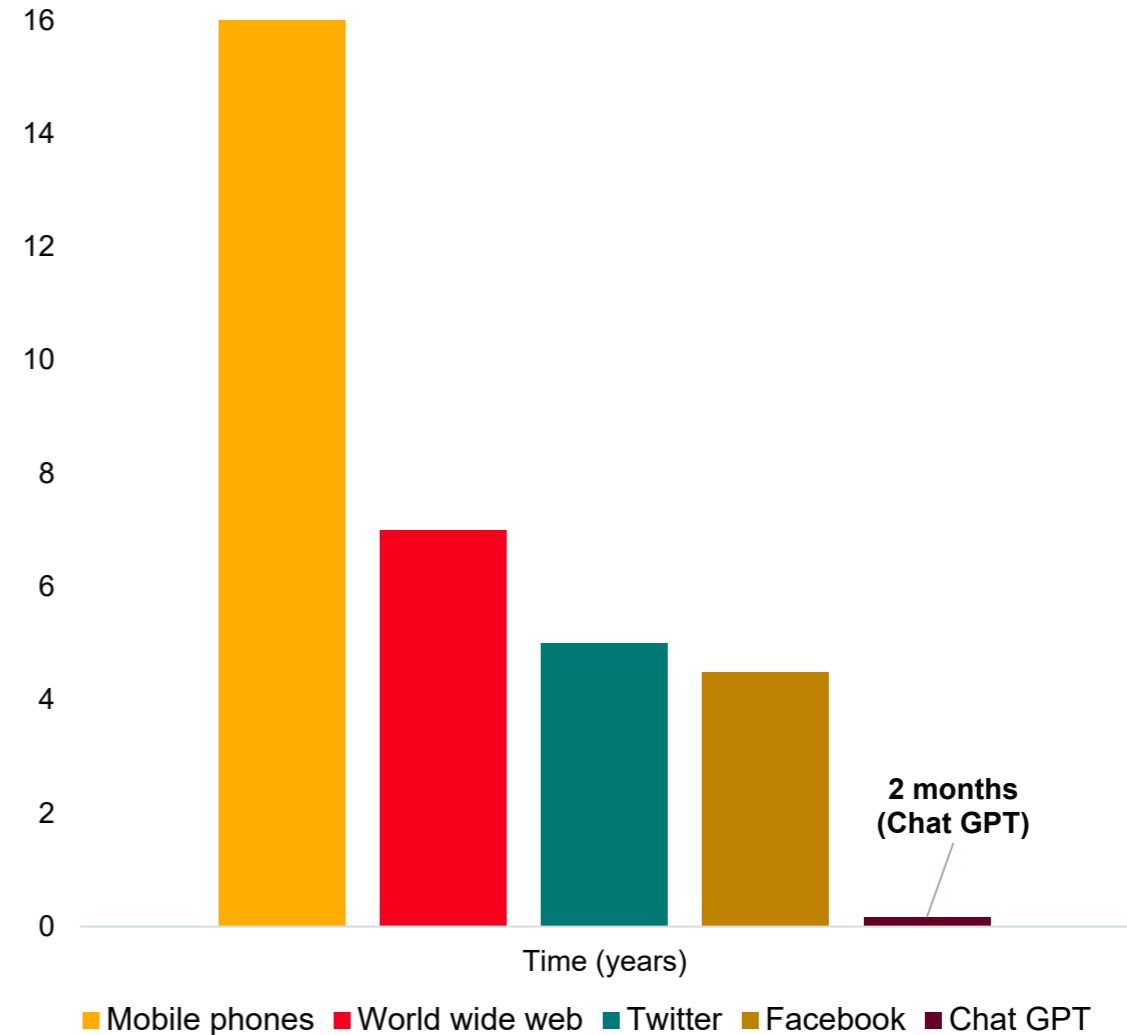
Expiration date: 1/15/2025



What makes ChatGPT special?

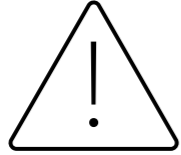
- ChatGPT uses an extremely large data set (i.e. webpages, textbooks, dialogues, etc.) to understand the underlying structure, patterns, and nuances of language without a particular subject in mind at an unprecedented scale.
- It looks at relationships and develops context in a method analogous to how a reader will look at a previous sentence or paragraph to understand the meaning of a new word in a book, making it able to understand and generate text.
- Earlier this year, ChatGPT raced to reach one million users in just five days. For comparison, it took Twitter two years to reach the same milestone.

Time to reach 100 million users (years)



Source: Vanguard
 Chart was made using data that was shared during the unlimITed conference.

Using generative AI comes with significant risks



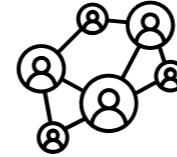
Hallucinations

- Generative AI does not know anything
- It will be wrong, yet sound 100% confident
- Between 10-15% of all responses are wrong



Data privacy

- Everything entered into LLMs may become public
- Treat Generative AI like you would any internet site
- Never enter proprietary info personally identifiable information



Biases

- Models are trained on content built by humans
- Initial biases may be reinforced by its training
- When using Generative AI, be aware of likely biases



Regulatory

- AI regulations are likely to be enacted soon
- Copyright infringement remains an open debate
- Liability exposure from AI misuse remains high

Source: Vanguard
And info that was shared during the unlimITed conference.

Benchmark descriptions

Policy Benchmark:

The client's policy benchmark is a weighted set of indices that align to the Investment Management Agreement Schedule B which sets forth the strategic asset allocation for the client portfolio. The Policy Benchmark is rebalanced monthly. Allocations may change overtime as the investment strategy changes. See Benchmark allocation history for details.

The benchmarks for asset and sub-asset classes on the Performance summary reports is determined by the client's primary policy benchmark. Asset and sub-asset class benchmarks are a proportionally representation of their segment within the client's primary policy benchmark and adjusts over time with the changes in the policy benchmark. See Benchmark allocation history for details.

Vanguard spliced benchmarks:

Spliced Total Stock Market Index: Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter.

Spliced Total International Stock Index: Total International Composite Index through August 31, 2006; MSCI EAFE + Emerging Markets Index through December 15, 2010; MSCI ACWI ex USA IMI Index through June 2, 2013; and FTSE Global All Cap ex US Index thereafter. Benchmark returns are adjusted for withholding taxes.

Spliced Emerging Markets Index: Select Emerging Markets Index through August 23, 2006; MSCI Emerging Markets Index through January 9, 2013; FTSE Emerging Transition Index through June 27, 2013; FTSE Emerging Index through November 1, 2015; FTSE Emerging Markets All Cap China A Transition Index through September 18, 2016; and FTSE Emerging Markets All Cap China A Inclusion Index thereafter. Benchmark returns are adjusted for withholding taxes.

Spliced Extended Market Index reflects the performance of the Dow Jones U.S. Completion Total Stock Market Index through June 17, 2005; S&P Transitional Completion Index through September 16, 2005; S&P Completion Index thereafter.

Spliced Dev ex North America Index reflects the performance of the MSCI EAFE Index through May 28, 2013; FTSE Developed ex North America Index thereafter

Real Estate Spliced Index: MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through February 1, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index through July 24, 2018; MSCI US Investable Market Real Estate 25/50 Index thereafter.

Spliced Bloomberg U.S. Aggregate Float Adjusted Index: Bloomberg U.S. Aggregate Bond Index through December 31, 2009; Bloomberg U.S. Aggregate Float Adjusted Index thereafter.

Spliced Bloomberg U.S. 1-5Yr Government/Credit Float Adjusted Index: Bloomberg U.S. 1-5 Year Government/Credit Bond Index through December 31, 2009; Bloomberg U.S. 1-5 Year Government/Credit Float Adjusted Index thereafter.

Spliced Bloomberg U.S. Long Government/Credit Float Adjusted Index: Bloomberg U.S. Long Government/Credit Bond Index through December 31, 2009; Bloomberg U.S. Long Government/Credit Float Adjusted Index thereafter.

Spliced Intermediate Investment-Grade Debt Funds Average: Lipper Intermediate US Gov't Funds Average through December 31, 2001; Lipper Intermediate Inv-Grade Debt Funds Avg through August 31, 2013; Lipper Core Bond Funds Average thereafter.

Spliced Small Cap Value Index: S&P SmallCap 600/Barra Value Index through May 16, 2003; MSCI US Small Cap Value Index through April 16, 2013; CRSP US Small Cap Value Index thereafter.

Benchmark descriptions (continued)

Market benchmarks:

Balanced Composite Index: Weighted 60% Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) and 40% Lehman Brothers U.S. Aggregate Bond Index through May 31, 2005; 60% MSCI US Broad Market Index and 40% Bloomberg U.S. Aggregate Bond Index through December 31, 2009; 60% MSCI US Broad Market Index and 40% Bloomberg U.S. Aggregate Float Adjusted Index through January 14, 2013; and 60% CRSP US Total Market Index and 40% Bloomberg U.S. Aggregate Float Adjusted Index thereafter.

Bloomberg Barclays 1-5 Yr Credit (Ret): The index measures the performance of the investment grade, US dollar denominated, fixed-rate, taxable corporate and government related bonds with maturity of 1-5 years. It is comprised of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

Bloomberg Barclays 1-5 Yr Treas (Ret): The index measures the performance of US treasuries with maturity of 1 to 4.9999 Years.

Bloomberg Barclays Global Aggregate ex USD Float Adjusted RIC - USD Hedged (Ret): The index measures the performance of the global, investment-grade, fixed rate debt markets, including government, government agency, corporate and securitized non-U.S. fixed income investments - all issued in currencies other than the U.S. dollar and with maturities of more than one year - with the foreign currency exposure of the securities included in the Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index hedged to the Canadian dollar. It is market capitalization-weighted.

Bloomberg Barclays Global Aggregate ex USD TR USD (Ret): The index measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities.

Bloomberg Barclays Intermediate U.S. Treasury (Ret): The index measures the performance of public obligations of the U.S. Treasury with maturities of 1-10 years, including securities roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg Barclays Long A+ U.S. Credit (Ret): The index measures the performance of the US Corporate and a non-corporate component with maturities of 10 years and greater that includes foreign agencies, sovereigns, supranationals and local authorities. It applies a more or less stringent set of constraints to any existing index. The index is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays Long Term U.S. Treasury (Ret): This index measure the performance of U,S. treasury bill with long term maturity. The credit level for this index is investment grade. The rebalance scheme is monthly.

Bloomberg Barclays Treasury 1-5 Year (Ret): This index measures the performance of US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with 1-5 years maturities.

Bloomberg Barclays U.S. Aggregate (Ret): The index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. It rolls up into other Bloomberg flagship indices, such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

Bloomberg Barclays U.S. Aggregate Float Adjusted (Ret): The index measures the performance of a new benchmark of the broad fixed-rate USD-denominated investment grade bond market that excludes securities held in the Federal Reserve System Open Market Account (SOMA).

Bloomberg Barclays U.S. Corporate High Yield (Ret): The index measures the performance of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds, including corporate bonds, fixed-rate bullet, puttable, and callable bonds, SEC Rule 144A securities, Original issue zeros, Pay-in-kind (PIK) bonds, Fixed-rate and fixed-to-floating capital securities.

Bloomberg Barclays U.S. Credit (Ret): The index measures the performance of the US Corporate and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays U.S. Credit: 5-10 Yr (Ret): The index measures the performance of the US Corporate and a non-corporate component with maturities of 5-10 year that includes foreign agencies, sovereigns, supranationals and local authorities. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Benchmark descriptions (continued)

Bloomberg Barclays U.S. Gov/Credit Float Adjusted: Long (Ret): The index measures the performance of the non-securitized component of the US Aggregate index with maturities of 10 years and greater. It uses alternative weighting schemes instead of market value weights.

Bloomberg Barclays U.S. Intermediate Credit (Ret): The index measures the performance of the US Corporate and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities with maturities of 1-10 years. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays U.S. Long Credit (Ret): The index measures the performance of the US Corporate and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities with maturities of 10 years and greater. It is a subset of the US Government/Credit Index and the US Aggregate Index.

Bloomberg Barclays U.S. Treasury (Ret): The index measures the performance of public obligations of the U.S. Treasury, including securities roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg Barclays U.S. Treasury TIPS 0-5 Years (Ret): The index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L) with the 0-5 years maturities.

Bloomberg Barclays U.S. Treasury TIPS 1-5 Years (Ret): The index measures the performance of inflation-protected securities with maturities of 1-5 years issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L), with a 38.5% market value weight in the index (as of December 31, 2010), but is not eligible for other nominal Treasury or Aggregate indices.

Bloomberg Barclays U.S. Treasury: 5-10 Yr (Ret): The index measures the performance of public obligations of the U.S. Treasury with maturities of 5-10 years, including securities roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg Barclays U.S. Treasury: Long (Ret): The index measures the performance of public obligations of the U.S. Treasury with maturities of 10 years and greater, including securities roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg Barclays U.S. Treasury: U.S. TIPS (Ret): The index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

Bloomberg Barclays US Treasury Inflation Notes 5+ Years (Ret): The index measures the performance of inflation-protected securities issued by the U.S. Treasury (TIPS) with the maturities more than 5 years.

Bloomberg Barclays USD Emerging Markets Government RIC (Ret): The index measures the performance of US dollar-denominated bonds issued by emerging market governments, government agencies and government-owned corporations with maturities longer than one year. CRSP US Total Market: The index measures the performance of broad US securities that traded on NYSE, NYSE Market, NANASDAQ or ARCA. It captures nearly 100% of the US investable equity market with around 4000 constituents across mega, large, small and micro capitalizations.

Dow Jones U.S. Total Stock Market Index: The index measures the performance of all US equity securities with readily available prices. It represents the top 95% of the US stock market based on market capitalization. The index is float-adjusted market capitalization weighted.

FTSE GLOBAL ALL CAP EX US INDEX: The index measures the performance of large, mid and small cap stocks globally excluding the US. It is derived from the FTSE Global Equity Index Series (GEIS). The index is market-capitalization weighted.

MSCI ACWI - Daily: The index measures the performance of the large and mid cap segments of all country markets. It is free float-adjusted market-capitalization weighted.

MSCI ACWI ex USA - Daily: The index measures the performance of the large and mid cap segments of the particular regions, excluding USA equity securities, including developed and emerging market. It is free float-adjusted market-capitalization weighted.

Benchmark descriptions (continued)

MSCI EM (EMERGING MARKETS) - Daily: The index measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

MSCI US BROAD MARKET INDEX - Daily: The index measures the performance of broad US equity market. It includes constituents across large, mid, small and micro capitalizations, representing most of the US equity universe. The index is free float adjusted market-capitalization weighted.

MSCI US REIT INDEX - Daily: The index measures the performance of the large, mid and small cap segments of the US equity securities. It is comprised of Equity REITs securities and based on the MSCI USA Investable Market Index, with the exception of Mortgage REIT and selected Specialized REITs. The index represents approximately most of the US REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard. It is a free float market capitalization weighted index.

MSCI WORLD ex USA - Daily - Net: The index measures the performance of the large and mid cap segments of world, excluding US equity securities. It is free float-adjusted market-capitalization weighted.

Consumer Price Index for all Urban Consumers (CPI-U): This index measures the changes in prices of goods and services purchased by urban households.

IA SBBI US Inflation: An unmanaged index designed to track the U.S. inflation rate. The Consumer Price Index for All Urban Consumers, or CPI-U, is used by IA SBBI to measure inflation, which is the rate of change of consumer goods prices.

US Treasury T-Bill Auction Ave 3 Month: Three-month T-bills are government backed-short-term investments considered to be risk-free and as good as cash because the maturity is only three months. Morningstar collects yields on the T-bill on a weekly basis from the Wall Street Journal.

Additional Information

Gross Portfolio Returns represent client-specific time-weighted returns (TWR) of the entire portfolio including the deduction of mutual fund expense ratios, purchase/redemption fees, and other security-level expenses, but gross of advisory and service fees applied to the client portfolio.

Client performance inception date is generally the first month-end after initial funding.

Lipper Fund Average 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, and was not adjusted for fees and loads.

Clients invested in Exchange-traded Funds “ETFs” transact at the market price during market trading hours. ETF performance for clients is also based on the market price at close, which may be different than the fund’s Net Asset Value.

Market value and returns for individual securities are calculated using the client’s daily custodial records. As a result, returns may vary slightly from the official month-end returns of a security as reported on Vanguard.com.

Glossary of risk metrics:

Standard Deviation is a risk measure of dispersion around the mean return.

Tracking Error is a relative risk measure of the standard deviation of excess returns.

Sharpe Ratio is a total risk measure of portfolio reward to variability.

Information Ratio is a relative risk measure of portfolio excess returns and tracking error.

Jensen's Alpha is a systematic risk measure of excess return adjusted for systematic risk.

Beta is a systematic risk measure of the sensitivity of portfolio returns to changes in benchmark returns.

R-Squared is the square of the correlation coefficient and is the proportion of portfolio returns variance that is related to benchmark returns variance.

Important information

For more information about any fund, visit institutional.vanguard.com or call 866-499-8473 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

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.

Mutual funds and all investments are subject to risk, including the possible loss of the money you invest. Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. These risks are especially high in emerging markets. Funds that concentrate on a relatively narrow sector face the risk of higher share-price volatility. It is possible that tax-managed funds will not meet their objective of being tax-efficient. Because company stock funds concentrate on a single stock, they are considered riskier than diversified stock funds.

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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