Financial Statements
June 30, 2020

MiraCosta College Foundation
(A California Nonprofit Corporation)

eidebailly.com

Independent Auditor's Report

The Board of Directors
MiraCosta College Foundation
Oceanside, California

Report on the Financial Statements

We have audited the accompanying financial statements of MiraCosta College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020, 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.

Eide Bailly LLP

Rancho Cucamonga, California
June 11, 2021

Assets	
Current assets	
Cash and cash equivalents	$ 696,224
Investments	14,870,888
Investments related to deferred gifts	626,377
Accounts receivable	1,920
Unconditional promises to give	150,000
Total current assets	16,345,409
Noncurrent assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	760,478
Cash surrender value of life insurance	27,899
Unconditional promises to give - net of amortized discount	996,509
Total noncurrent assets	1,784,886
Total assets	$ 18,130,295
Liabilities and Net Assets	
Current liabilities	
Accounts payable	$ 2,410
Due to MiraCosta Community College District	45,981
Total liabilities	48,391
Net assets	
Without donor restrictions	
Undesignated	878,475
Board designated	446,085
Total without donor restrictions	1,324,560
With donor restrictions	16,757,344
Total net assets	18,081,904
Total liabilities and net assets	$ 18,130,295

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions, gifts, and grants	$ 134,871	$ 1,849,586	$ 1,984,457
Contributions - deferred gifts	-	374,892	374,892
Donated asset contributions	-	101,784	101,784
Management fees	209,826	(209,826)	-
Net assets released from restrictions	1,273,308	(1,273,308)	-
Total public support and revenues	1,618,005	843,128	2,461,133
Expenses			
Program	1,563,423	-	1,563,423
Management and general	233,400	-	233,400
Total expenses	1,796,823	-	1,796,823
Other Income			
Unrealized gain on investments	114,008	391,033	505,041
Change in value of deferred gifts	-	7,853	7,853
Change in cash surrender value of life insurance	-	479	479
Change in value of beneficial interest in assets held by Foundation for California Community Colleges	-	6,592	6,592
Interest and dividends	4,236	59	4,295
Total other income	118,244	406,016	524,260
Change in Net Assets	(60,574)	1,249,144	1,188,570
Net Assets, Beginning of Year	1,385,134	15,508,200	16,893,334
Net Assets, End of Year	$ 1,324,560	$ 16,757,344	$ 18,081,904

	Program	Management and General	Total
Scholarships and grants	$ 492,567	$ -	$ 492,567
Miracosta College programs	401,936	-	401,936
Direct student aid	567,136	-	567,136
Support staff salaries and wages	-	127,112	127,112
Donated assets	101,784	-	101,784
Professional fees	-	43,481	43,481
Donor cultivation and goodwill	-	2,048	2,048
Other administrative expenses	-	60,759	60,759
Total	$ 1,563,423	$ 233,400	$ 1,796,823

Operating Activities	
Change in net assets	$ 1,188,570
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Contributions restricted for long-term purposes	664,621
Net unrealized gain on investments	(505,041)
Distribution from beneficial interest in assets held by the Foundation for California Community Colleges	39,200
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	(6,592)
Change in value of deferred gifts	(7,853)
Cash surrender value of life insurance	(479)
Change in assets and liabilities	
Accounts receivable	2,274
Unconditional promises to give	(249,003)
Accounts payable	(14,699)
Due to Miracosta Community College District	22,559
Net Cash Flows From Operating Activities	1,133,557
Investing Activities	
Purchases of investments	(248,000)
Contribution of deferred gifts	(374,892)
Net Cash Flows From Investing Activities	(622,892)
Financing Activities	
Collections of contributions restricted for long-term purposes	(664,621)
Change in Cash and Cash Equivalents	(153,956)
Cash and Cash Equivalents, Beginning of Year	850,180
Cash and Cash Equivalents, End Of Year	$ 696,224

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. In addition, the College president and two members of the College management staff are Advisors to the Board.

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.* 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 Financial Accounting Standards Board (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 11.

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 receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The Foundation maintains investment balances with Securities Investor Protection Corporation (SIPC) brokerage firms which are insured up to $500,000. At June 30, 2020, the Foundation had investment balances held in financial institutions in excess of SIPC in the amount of $14,370,888.

Donated Assets

The Foundation records the value of donated assets when there is an objective basis available to measure their value. Donated assets are capitalized at the stated donated value and depreciated in accordance with Foundation policies unless they are passed through to the College.

Use of 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of less than 90 days, which are neither held for nor restricted by donors for long-term purposes. The Foundation maintains cash balances in financial institutions which are insured up to $250,000. At June 30, 2020, the Foundation had uninsured cash deposits of $471,885.

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

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, 2020, unconditional promises to give have been recorded in the financial statements in the amount of $1,146,509, net of allowance for uncollectible pledges.

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. Management has determined all amounts to be collectible.

Beneficial Interest in Assets held by Community Foundation

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

Income Taxes

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

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

Accounts Payable and Current Liabilities

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

Allocation of Functional Expenses

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

Management Fee

Endowments received by the Foundation are subject to a 1.5 percent endowment management fee. The fee is assessed annually at 1.5 percent of the income earned before distribution. In addition, the Foundation assesses a five percent 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

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 includes a second provision for entities that serve as a resource provider and are making contributions to other organizations. This portion of the standard has a later implementation date and is effective for entities with annual periods beginning after December 15, 2019 and will be implemented at that time. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This Update requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The following steps are applied in the updated guidance: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. ASU 2014-09 will be effective for the Foundation for the year ending June 30, 2021. The full impact of this Update on the Foundation's financial statements has not yet been determined.

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. ASU 2016-02 will be effective for the Foundation for the year ending June 30, 2022. The full impact of this Update on the Foundation's financial statements has not yet been determined.

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:

	2020
Cash and cash equivalents	$ 696,224
Board reserves	50,000
Accounts receivable	1,920
	$ 748,144

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 Associate 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, 2020:

Unconditional promises to give before unamortized discount and allowance for doubtful accounts	$ 1,150,000
Less: Unamortized discount	(3,491)
Net Unconditional Promises to Give	$ 1,146,509

Unconditional promises to give can be classified as without, or with donor restriction. Management has determined the amounts of allowance for uncollectible promises to give at June 30, 2020, was $0, and that all amounts are deemed collectible.

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2020:

	Hatoff Tapestries	Promise Program	Total
Amounts due in			
Due within one year	$ 50,000	$ 100,000	$ 150,000
Due within one to five years	250,000	500,000	750,000
Due within six to ten years	50,000	200,000	250,000
Less: Unamortized discount	(873)	(2,618)	(3,491)
Subtotal long-term portion of unconditional promises to give	299,127	697,382	996,509
Total	$ 349,127	$ 797,382	$ 1,146,509

The discount rate used was 0.25 percent for the year ended June 30, 2020.

Note 4 - Investments

Investments are stated at fair value and are summarized as of June 30, 2020:

	Adjusted Cost	Fair Value	Unrealized Gain
Investments			
Investments	$ 14,365,847	$ 14,870,888	$ 505,041
Deferred gifts	626,377	626,377	-
Beneficial interest in assets held by the Foundation for California Community Colleges	760,478	760,478	-
Total investments	$ 15,752,702	$ 16,257,743	$ 505,041

The investment return consists of the following at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 4,236	$ 59	$ 4,295
Change in value of deferred gifts	-	7,853	7,853
Change in cash surrender value of life insurance	-	479	479
Unrealized gain on investments	114,008	391,033	505,041
Change in beneficial interest in assets held by the Foundation for California Community Colleges	-	6,592	6,592
Total investment return	$ 118,244	$ 406,016	$ 524,260

Note 5 - Fair Value Measurement and Disclosures

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

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

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

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

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

	Level I	Level III	Total
Assets			
Equity	$ 10,635,739	$ -	$ 10,635,739
Fixed income	4,235,149	-	4,235,149
Deferred gifts	-	626,377	626,377
Beneficial interest in assets held by the Foundation for California Community Colleges	-	760,478	760,478
Total	$ 14,870,888	$ 1,386,855	$ 16,257,743

The following table presents changes in the Foundation's investment assets measured at fair value on a recurring basis for the year ending June 30, 2020.

	Deferred Gifts Level III	Beneficial Interest in Assets Held by FCCC Level III	Total
Investments, at Fair Value			
Balance, at June 30, 2019	$ 243,632	$ 793,086	$ 1,036,718
New deferred gifts	374,892	-	374,892
Distribution of scholarships	-	(39,200)	(39,200)
Net change in value	7,853	6,592	14,445
Balance, at June 30, 2020	$ 626,377	$ 760,478	$ 1,386,855

The Foundation has no assets or liabilities recorded at fair value on a non-recurring basis as of June 30, 2020.

Note 6 - 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 6.0 percent to 7.3 percent. Assets held in the charitable remainder trusts totaled $626,377 at June 30, 2020, 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 7 - 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 $1,081,596. As of June 30, 2020, the ending balance of the Osher Endowment Scholarship was $760,478. 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 8 - Donor Designated Endowments

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

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to permanent endowment, (b) plus the original value of subsequent gifts to the endowments, (c) plus accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not held in perpetuity is classified as net assets with donor restrictions and may be appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

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

Spending Policy

The Foundation's Board approved spending policy was created to protect the values of the endowments. An endowment spending rate of no more than 5.5 percent is based on a three-year moving average of current market values as of June 30, 2020. This rate is reviewed on an annual basis.

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Donor-restricted endowment funds	$ -	$ 13,053,878	$ 13,053,878
Board-designated endowment funds	396,085	-	396,085
Total	$ 396,085	$ 13,053,878	$ 13,449,963

Changes in endowment net assets as of June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Balance at June 30, 2019	$ 404,596	$ 12,535,188	$ 12,939,784
Contributions	-	664,621	664,621
Change in value of investments	13,235	387,477	400,712
Amounts appropriated for expenditures	(21,746)	(533,408)	(555,154)
Balance at June 30, 2020	$ 396,085	$ 13,053,878	$ 13,449,963

Note 9 - Restrictions of Net Asset Balances

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2020:

Deferred gifts and cash surrender value of life insurance	$ 654,276
Various donor-restricted funds	1,631,230
Foundation scholarships	2,366,877
Total net assets with time/purpose restriction	$ 4,652,383

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2020:

Scholarship endowments	$ 3,924,058
Beneficial interest in assets held by the Foundation for California Community Colleges	682,313
General endowments	7,498,590
Total net assets with perpetual restriction	$ 12,104,961

Note 10 - 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, 2020:

Scholarships and grants	$ 846,597
Other program services	324,927
Gift in Kind	101,784
Total	$ 1,273,308

Note 11 - Board Designated Net Assets

Net assets without donor restrictions that have been Board designated consist of the following at June 30, 2020:

Board-designated endowment funds	$ 396,085
General Reserves	50,000
Total	$ 446,085

Note 12 - 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 Associate Vice President, Institutional Advancement, (formerly known as executive director of development and the Foundation).

Note 13 - 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, 2020 through June 11, 2021, which is the date the financial statements were available to be issued.

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.