



**MIRACOSTA COLLEGE FOUNDATION BOARD
Audit COMMITTEE MEETING**

Tuesday, April 23, 2024 12:00 – 12:30 p.m.

Audit Committee Members:

Cindy Musser, Tim Snodgrass, Kimberly Troutman

Staff Support:

Timothy Flood, Elizabeth Lurenana, Shannon Stubblefield, Christina Undan

Auditors:

Rick Alonzo, Rachel Green

AGENDA

- I. CALL TO ORDER**
- II. ROLL CALL, WELCOME, INTRODUCTIONS**
Request consent to record meeting.
- III. PUBLIC COMMENT ON ITEMS ON AND NOT ON THE AGENDA**
- IV. CHANGES IN AGENDA ORDER**
- V. REVIEW AND APPROVE MINUTES**
 - A. August 1, 2023 Minutes
- VI. REVIEW AND APPROVE FY22-23 AUDIT REPORT – Action Required**
- VII. FUTURE AGENDA ITEMS**
- VIII. ADJOURNMENT**

Next Finance Committee Meeting (San Elijo)

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

Next Executive Committee Meeting (San Elijo)

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

Next Quarterly Board Meeting (Oceanside)

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)

Tuesday, October 24, 2023 at 2:00 – 3:00 p.m.

VII. FUTURE AGENDA ITEMS

VIII. ADJOURNMENT

The meeting was adjourned by Chair Snodgrass at 12:45 p.m.

DRAFT

Financial Statements

June 30, 2023

MiraCosta College Foundation
(A California Nonprofit Corporation)

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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, 2023, 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 MiraCosta College Foundation as of June 30, 2023, 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.

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 for 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

[REPORT DATE]

MiraCosta College Foundation
Statement of Financial Position
June 30, 2023

Assets	
Current assets	
Cash and cash equivalents	\$ 1,168,591
Prepaid and Other Assets	44
Investments	17,776,680
Investments related to deferred gifts	758,948
Accounts receivable	17,736
Unconditional promises to give, net	190,194
Donated artwork held for sale	426,799
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Total current assets	20,338,992
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Noncurrent assets	
Beneficial interest in assets held by the Foundation for California Community Colleges	796,554
Cash surrender value of life insurance	29,279
Unconditional promises to give, net	156,344
	<hr/>
Total noncurrent assets	982,177
	<hr/>
Total assets	\$ 21,321,169
	<hr/> <hr/>
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 38,370
Due to MiraCosta Community College District	39,160
	<hr/>
Total liabilities	77,530
	<hr/>
Net assets	
Without donor restrictions	
Undesignated	2,125,052
Board designated	590,545
	<hr/>
Total without donor restrictions	2,715,597
	<hr/>
With donor restrictions	18,528,042
	<hr/>
Total net assets	21,243,639
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Total liabilities and net assets	\$ 21,321,169
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MiraCosta College Foundation
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions, gifts, and grants	\$ 124,722	\$ 982,354	\$ 1,107,076
Contributions - gift in kind	-	68,858	68,858
Contributions - District donated gift in kind	151,121	410,461	561,582
Management fees	163,904	(163,904)	-
Net assets released from restrictions	1,879,661	(1,879,661)	-
Total public support and revenues	2,319,408	(581,892)	1,737,516
Expenses			
Program	2,061,250	-	2,061,250
Management and general	380,377	-	380,377
Total expenses	2,441,627	-	2,441,627
Other Income			
Realized gain on sale of investments	34,879	349,111	383,990
Unrealized gain on investments	44,526	1,282,152	1,326,678
Change in value of deferred gifts	-	34,411	34,411
Change in cash surrender value of life insurance	-	437	437
Change in value of beneficial interest in assets held by Foundation for California Community Colleges	-	79,736	79,736
Interest and dividends, net	23,074	-	23,074
Total other income	102,479	1,745,847	1,848,326
Change in Net Assets	(19,740)	1,163,955	1,144,215
Net Assets, Beginning of Year	2,735,337	17,364,087	20,099,424
Net Assets, End of Year	\$ 2,715,597	\$ 18,528,042	\$ 21,243,639

MiraCosta College Foundation
Statement of Functional Expenses
Year Ended June 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Foundation staff salaries and benefits	\$ 36,176	\$ 119,829	\$ 156,005
Donated salaries and benefits	398,326	147,076	545,402
Donated facility use	12,135	4,045	16,180
Gift in kind	68,858	-	68,858
Supplies	118,469	3,093	121,562
Other services	61,317	25,507	86,824
Travel, conferences, training	189,672	11,354	201,026
Dues and membership	14,300	2,600	16,900
Insurance	13,798	-	13,798
Contract services	292,938	10,618	303,556
Audit	-	20,800	20,800
Advertising & postage	18,821	34,361	53,182
Direct student aid	81,236	1,094	82,330
Scholarships	755,204	-	755,204
	<u>\$ 2,061,250</u>	<u>\$ 380,377</u>	<u>\$ 2,441,627</u>
Total	<u>\$ 2,061,250</u>	<u>\$ 380,377</u>	<u>\$ 2,441,627</u>

MiraCosta College Foundation
Statement of Cash Flows
Year Ended June 30, 2023

Operating Activities	
Change in net assets	\$ 1,144,215
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Contributions restricted for long-term purposes	(21,335)
Realized gain on sale of investments	(383,990)
Net unrealized gain on investments	(1,326,678)
Distribution from beneficial interest in assets held by the Foundation for California Community Colleges	45,932
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	(79,736)
Change in value of deferred gifts	(34,411)
Cash surrender value of life insurance	(437)
Change in assets and liabilities	
Prepaid and other assets	10,101
Accounts receivable	40,369
Unconditional promises to give	299,133
Accounts payable	14,062
Due to Miracosta Community College District	<u>(96,726)</u>
Net Cash Flows From Operating Activities	<u>(389,501)</u>
Investing Activities	
Withdrawal from endowment	392,903
Proceeds from sale of investments	1,888,388
Purchase of investments	<u>(2,643,298)</u>
Net Cash Flows From Investing Activities	<u>(362,007)</u>
Financing Activities	
Collections of contributions restricted for long-term purposes	<u>21,335</u>
Change in Cash and Cash Equivalents	(730,173)
Cash and Cash Equivalents, Beginning of Year	<u>1,898,764</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,168,591</u></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 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, 2023, unconditional promises to give have been recorded in the financial statements in the amount of \$346,538, 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, 2023, management believes all amounts are collectable.

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, 2023

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.

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	\$ 1,168,591
Board reserves	50,000
Accounts receivable	<u>17,736</u>
	<u>\$ 1,236,327</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, 2023:

Unconditional promises to give before unamortized discount and allowance for doubtful accounts	\$ 347,694
Less discount to net present value	<u>(1,156)</u>
Net Unconditional Promises to Give	<u>\$ 346,538</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, 2023.

MiraCosta College Foundation
Notes to Financial Statements
June 30, 2023

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2023:

	<u>Annual Fund</u>	<u>Deferred Action for Childhood Arrivals (DACA)</u>	<u>Hatoff Endowment</u>
Amounts due in			
Due within one year	\$ 30,000	\$ 50,000	\$ 500
Due within one to five years	<u>7,500</u>	<u>-</u>	<u>150,000</u>
	37,500	50,000	150,500
Less discount to net present value	<u>(37)</u>	<u>-</u>	<u>(1,119)</u>
Total	<u>\$ 37,463</u>	<u>\$ 50,000</u>	<u>\$ 149,381</u>

	<u>Wealth Equity Fund</u>	<u>Karetas Family</u>	<u>Follett Unrestricted</u>	<u>Total</u>
Amounts due in				
Due within one year	\$ 5,000	\$ 4,694	\$ 100,000	\$ 190,194
Due within one to five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,500</u>
	5,000	4,694	100,000	347,694
Less discount to net present value	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,156)</u>
Total	<u>\$ 5,000</u>	<u>\$ 4,694</u>	<u>\$ 100,000</u>	<u>\$ 346,538</u>

The discount rate used was 0.25% for the year ended June 30, 2023.

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, 2023, the balance of artwork held for sale was \$426,799.

Note 5 - Investments

Investments are stated at fair value and are summarized as of June 30, 2023:

Investments	
Investments	\$ 17,776,680
Deferred gifts	758,948
Beneficial interest in assets held by the Foundation for California Community Colleges	<u>796,554</u>
 Total investments	 <u><u>\$ 19,332,182</u></u>

The investment return consists of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 62,659	\$ -	\$ 62,659
Realized gain on sale of investments	34,879	349,111	383,990
Unrealized gain on investments	<u>44,526</u>	<u>1,282,152</u>	<u>1,326,678</u>
 Total investment income	 142,064	 1,631,263	 1,773,327
 Investment fees	 <u>(39,585)</u>	 <u>-</u>	 <u>(39,585)</u>
 Total investment income, net of fees	 <u><u>\$ 102,479</u></u>	 <u><u>\$ 1,631,263</u></u>	 <u><u>\$ 1,733,742</u></u>

Note 6 - Fair Value Measurement and Disclosures

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

A three-tier hierarchy categorizes the inputs as follows:

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

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

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

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

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2023. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2023. The Foundation has no assets or liabilities recorded at fair value on a non-recurring basis as of June 30, 2023.

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Assets			
Equity	\$ 12,030,379	\$ -	\$ 12,030,379
Fixed income	5,746,301	-	5,746,301
Deferred gifts	-	758,948	758,948
Beneficial interest in assets held by the Foundation for California Community Colleges	-	796,554	796,554
	<u>\$ 17,776,680</u>	<u>\$ 1,555,502</u>	<u>\$ 19,332,182</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 4.2% to 5.8%.

Assets held in the charitable remainder trusts totaled \$758,948 at June 30, 2023, 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, 2023, the ending balance of the Osher Endowment Scholarship was \$796,554. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 9 - Donor Designated Endowments

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

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

Investment Return Objectives, Risk Parameters, and Strategies

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

Spending Policy

The Foundation's Board approved spending policy was created to protect the values of the endowments. An endowment spending rate of no more than 5.0% is based on a three-year moving average of current market values as of June 30, 2023. This rate is reviewed on an annual basis.

Endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Funds</u>
Donor-restricted endowment funds	\$ -	\$ 12,856,191	\$ 12,856,191
Board-designated endowment funds	540,545	-	540,545
 Total	 <u>\$ 540,545</u>	 <u>\$ 12,856,191</u>	 <u>\$ 13,396,736</u>

Changes in endowment net assets as of June 30, 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Funds</u>
Balance at June 30, 2022	\$ 604,968	\$ 11,932,055	\$ 12,537,023
Contributions	-	21,335	21,335
Change in value of investments	70,132	1,385,559	1,455,691
Amounts appropriated for expenditures	(134,555)	(482,758)	(617,313)
 Balance at June 30, 2023	 <u>\$ 540,545</u>	 <u>\$ 12,856,191</u>	 <u>\$ 13,396,736</u>

Note 10 - Restrictions of Net Asset Balances

Donor-restricted net assets with time and/or purpose restrictions consist of the following at June 30, 2023:

Deferred gifts and cash surrender value of life insurance	\$ 788,227
Campus Activity	2,617,486
Donor restricted endowments	2,177,122
Business operations	239,986
Foundation scholarships	<u>1,343,839</u>
 Total net assets with time/purpose restriction	 <u><u>\$ 7,166,660</u></u>

Donor-restricted net assets with perpetual restrictions consist of the following at June 30, 2023:

Scholarship endowments	\$ 4,131,107
Beneficial interest in assets held by the Foundation for California Community Colleges	682,313
General endowments	<u>6,547,962</u>
 Total net assets with perpetual restriction	 <u><u>\$ 11,361,382</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, 2023:

Scholarships and grants	\$ 829,801
Other program services	570,541
Donated salaries and facility use	410,461
Gift in Kind	<u>68,858</u>
 Total	 <u><u>\$ 1,879,661</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, 2023:

Board-designated endowment funds	\$ 540,545
General Reserves	<u>50,000</u>
 Total	 <u><u>\$ 590,545</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, 2023, the Foundation received \$545,402 in donated salaries and benefits and \$16,180 in donated facilities from the District in alignment with the Memorandum of Understanding.

Note 14 - 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, 2023 through [REPORT DATE], which is the date the financial statements were available to be issued.