



## MIRACOSTA COLLEGE FOUNDATION BOARD FINANCE COMMITTEE MEETING

**Tuesday, February 4, 2025 2:00 – 3:30 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://linktr.ee/miracostacollegefoundation>

***Finance Committee Members:***

Dottie Benson, Michelle Gray, Neil McCarthy, Dave McGuigan,  
Cindy Musser, Mark Richards, Sharon Wiback

***Staff Support, Guests & Advisors Support Attendees:***

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

***MiraCosta College Foundation Mission:***

*Promote the benefits of MiraCosta College and secure resources that transform lives.*

***MiraCosta College Foundation Vision:***

*Educational opportunities for all.*

***Land Acknowledgement:***

*We acknowledge the original caretakers of the land on which MiraCosta College is built. The Luiseno people are made up of seven bands: the La Jolla, Pala, Pauma, Pechanga, Rincon, San Luis Rey, and Soboba. We pay our respects to the Luiseno – past, present, and emerging, and are grateful to have the opportunity to be part of this community and to honor their history, culture, and spirit.*

### 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 November 5, 2024

**VI. PRESENTATION(S)**

A. Andrew Maslick, Mercer (Zoom)

**VII. COMMITTEE REPORT(S)**

A. Finance Committee

- i. Review & Approve FY24/25 Q2 Financial Statements & Recap (**Action Required**)
- ii. Key Performance Indicators
- iii. Review Draft FY25/26 Operations & Allocations Budget with FY 2024/25 Actuals Projected
- iv. Review & Recommend Annual Spending Rate (Item VII.C.) (**Action Required**)

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

v. Review Draft 2025-2030 Memorandum of Understanding

## VIII. STAFF UPDATES

A. Donor Prospecting Event (Spring 2025)

## IX. ANNOUNCEMENTS, MEETING AND EVENT CALENDAR REVIEW

### **Chemistry/Biotech Building Ribbon Cutting (Oceanside Campus)**

Thursday, February 27, 2025 at 9:00 – 10:30 a.m.

### **Scholarship Awards Celebration (Oceanside Campus)**

Friday, February 28, 2025 at 5:00 – 6:30 p.m.

### **Next Executive Committee Meeting (San Elijo Campus)**

Tuesday, February 4, 2025 at 3:45 – 5:00 p.m.

### **Next Quarterly Board Meeting (TCI Campus)**

Tuesday, February 25, 2025 at 3:00 – 5:00 p.m.

### **Media Arts Building Ribbon Cutting (Oceanside Campus)**

Wednesday, March 26, 2025 at 10:00 – 11:30 a.m.

### **Next Governance and Nominations Committee Meeting (San Elijo Campus)**

Tuesday, April 15, 2024 at 2:00 – 3:00 p.m.

### **Next Audit Committee Meeting (San Elijo Campus)**

Tuesday, April 22, 2025 at 1:00 – 1:30 p.m.

### **Next Finance Committee Meeting (San Elijo Campus)**

Tuesday, April 22, 2025 at 2:00 – 3:30 p.m.

## X. FUTURE AGENDA ITEMS

## XI. ADJOURNMENT

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

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

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

Foundation Committee meetings are held in meeting rooms that are accessible to those with mobility disabilities. If you wish to attend the meeting and you have another disability requiring special accommodation, please notify the board assistant, 760.757.2121, 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>. Such writings will also be available at the board meeting. In addition, if you would like a copy of any record related to an item on the agenda, please contact the board assistant by e-mail at [foundation@miracosta.edu](mailto:foundation@miracosta.edu)



## MIRACOSTA COLLEGE FOUNDATION BOARD FINANCE COMMITTEE

### MINUTES OF REGULAR MEETING

**November 5, 2024**  
**DRAFT**

#### I. CALL TO ORDER

The MiraCosta College Foundation Finance Committee met in open session on Tuesday, November 5, 2024 in Conference Room 1116 on the MiraCosta College District's San Elijo Campus (3333 Manchester Avenue, Cardiff, CA 92007). The meeting was live-streamed and recorded via Zoom. Treasurer Cindy Musser called the meeting to order at 2:00 pm.

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

##### Committee Members Present:

Neil McCarthy	David McGuigan	Cindy Musser
Mark Richards	Sharon Wiback	

##### Committee Members Absent:

Dorothy Benson

##### Staff, Advisors & Guests Present:

Tori Fishinger	Timothy Flood (Zoom)	Elizabeth Lurenana
Andrew Maslick (Zoom)	Shannon Stubblefield	

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

None

#### IV. CHANGES IN AGENDA ORDER

None

#### V. APPROVE MEETING MINUTES

A. By motion of Committee Member Wiback, seconded by Committee Member McGuigan, the minutes of the regular meeting of August 13, 2024 were approved as presented.

**Vote:** 5/0/0/1  
**Aye:** McCarthy, McGuigan, Musser, Richards, Wiback  
**Nay:** None  
**Abstain:** None  
**Absent:** Benson

#### VI. COMMITTEE REPORT(S)

A. Finance Committee

i. Review & Approve FY23/24 End-of-Year Financial Statements

a. Treasurer Musser reviewed the end-of-year financial statements for FY23/24 and she and VP/ED Stubblefield answered clarifying questions from committee members.

b. By motion of Committee Member McGuigan, seconded by Committee Member Wiback the FY23/24 End-of-Year Financial Statements were approved as presented.

**Vote:** 5/0/0/1  
**Aye:** McCarthy, McGuigan, Musser, Richards, Wiback  
**Nay:** None  
**Abstain:** None

**Absent:** Benson

- ii. Review & Approve FY24/25 Q1 Financial Statements & Recap
  - a. Treasurer Musser reviewed the Q1 financial statements for FY24/25.
  - b. By motion of Committee Member Wiback, seconded by Committee Member Richards the FY24/25 Q1 Financial Statements & Recap were approved as presented.
 

**Vote:** 5/0/0/1  
**Aye:** McCarthy, McGuigan, Musser, Richards, Wiback  
**Nay:** None  
**Abstain:** None  
**Absent:** Benson
  - c. VP/ED Stubblefield highlighted items from the top ten donations of FY24/25 Q1.
- iii. Key Performance Indicators
  - a. Treasurer Musser and VP/ED Stubblefield reviewed the Key Performance Indicators in detail.
- iv. Quasi Endowment
  - a. Treasurer Musser and Staff Member Fishinger explained the background of the original Diane Bessell gift and establishment of the new quasi-endowment.
  - b. By motion of Committee Member McGuigan, seconded by Committee Member McNeil, the committee voted to approve partially endowing \$50,000 from the Diane Bessell Trust to establish the Diane Bessell Trust Quasi Endowment.
 

**Vote:** 5/0/0/1  
**Aye:** McCarthy, McGuigan, Musser, Richards, Wiback  
**Nay:** None  
**Abstain:** None  
**Absent:** Benson
- v. Fund Modification Recommendations
  - a. VP/ED Stubblefield reviewed the spreadsheet on page seventeen of the agenda packet and provided background information on foundation fund management. She answered questions from the committee and clarified that staff are researching this and may consult the district's legal team to assess any changes before asking the foundation board to vote on a recommendation.
    - Committee members expressed support for the staff's current action plan and asked clarifying questions.
    - Staff also clarified that new endowments being established have language embedded in them for spending flexibility.

## VII. PRESENTATION(S)

- A. Andrew Maslick, Mercer (Zoom)
  - i. Advisor Maslick introduced himself for the benefit of new committee members.
  - ii. Advisor Maslick provided commentary on the presentation in the agenda packet, specifically highlighting portfolio performance.
    - a. Market volatility is typically up close to an election, which is proving true this cycle.
    - b. It looks increasingly likely that the FED has succeeded in avoiding a recession, but 75% of the monthly increase (inflation) was driven by shelter and food prices.
      - This is showing up in MiraCosta students' needs and drives the foundation's fundraising policies.
  - iii. Advisor Maslick will plan to attend in person in February 2025.

## VIII. ANNOUNCEMENTS, MEETING, AND EVENT CALENDAR REVIEW

### Next Finance Committee Meeting (San Elijo Campus)

Tuesday, February 4, 2025 at 2:00 – 3:30 p.m.

### Next Executive Committee Meeting (San Elijo Campus)

Tuesday, November 5, 2024 at 3:45 – 5:00 p.m.

**Next Quarterly Board Meeting (Community Learning Center Campus)**

Tuesday, November 19, 2024 at 3:00 – 5:00 p.m.

**Next Governance and Nominations Committee Meeting (San Elijo Campus)**

Tuesday, January 28, 2025 at 2:00 – 3:00 p.m.

**IX. FUTURE AGENDA ITEMS**

- A. FY25/26 Memorandum of Understanding

**X. ADJOURNMENT**

The meeting was adjourned at 3:13 p.m.

DRAFT

**CR ACC - Foundation Balance Sheet**

Repeat By

Period

FY2024-25 - 06-Dec

Worktags

Calculate Current Year Retained Earnings (DO NOT USE)

Yes

<i>MiraCosta College Foundation</i>	Unrestricted	Restricted	Restricted & Unrestricted	Restricted & Unrestricted	Restricted & Unrestricted
Period: FY2024-25 - 06-Dec			Total FY24-25 (July 2024 to December 2024)	Prior Year FY23-24 (July 2023 to December 2023)	Prior Year FY23-24 (Jul 2023 to June 2024)
Assets	2,631,671.34	21,552,400.59	24,184,071.93	23,024,845.23	23,343,531.68
Cash	644,972.70	280,244.76	925,217.46	1,026,670.92	775,011.73
Investments	1,896,632.88	20,436,928.37	22,333,561.25	20,608,002.12	21,580,667.33
Deferred Gifts - Assets	68,501.00	817,388.20	885,889.20	1,215,026.15	885,889.20
9121:Deferred Gifts	0	817,388.20	817,388.20	788,227.15	817,388.20
9309:Assets Donated (Gift-in-Kind)	0	0.00	0.00	0.00	0.00
9310:Assets Donated (Held for sale)	68,501.00	0	68,501.00	426,799.00	68,501.00
Accounts Receivable/Prepays	21,564.76	17,839.26	39,404.02	175,146.04	101,963.42
9139:Pledge Receivable - Long-term	14,500.00	19,500.00	34,000.00	169,693.60	99,693.60
9142:Discount on Pledge Receivable	(163.20)	(1,660.34)	(1,823.54)	(1,156.76)	(6,165.97)
9143:Accounts Receivable - Year end accrual	6,227.96	(0.40)	6,227.56	6,609.20	8,435.79
9144:Allowance for Doubtful Accounts	0.00	0	0.00	0.00	0.00
9220:Prepaid Items				0	
9221:Travel Advance Prepaid	1,000.00	0.00	1,000.00	0.00	0.00
<b>Total Assets</b>	<b>2,631,671.34</b>	<b>21,552,400.59</b>	<b>24,184,071.93</b>	<b>23,024,845.23</b>	<b>23,343,531.68</b>
Liabilities	23,653.93	20,000.67	43,654.60	111,336.26	105,449.55
Accounts Payable	23,653.93	20,000.67	43,654.60	111,336.26	105,449.55
Due To Related Entities	0.00	0.00	0.00	0.00	0.00
9540:Due to Other Funds	0.00	0.00	0.00	0.00	0.00
Due From Related Entities	0.00	0.00	0.00	0.00	0.00
9140:Due From Other Funds	0.00	0.00	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>23,653.93</b>	<b>20,000.67</b>	<b>43,654.60</b>	<b>111,336.26</b>	<b>105,449.55</b>
<b>Net Position</b>	<b>2,608,017.41</b>	<b>21,532,399.92</b>	<b>24,140,417.33</b>	<b>22,913,508.97</b>	<b>23,238,082.13</b>
<b>Total Liability/Net Position</b>	<b>2,631,671.34</b>	<b>21,552,400.59</b>	<b>24,184,071.93</b>	<b>23,024,845.23</b>	<b>23,343,531.68</b>

**CR ACC - Foundation Income Statement**

Repeat By

Period

FY2024-25 - 06-Dec

Worktags

<i>MiraCosta College Foundation</i>	Unrestricted	Restricted	Restricted & Unrestricted Total FY24-25 (July 2024 to December 2024)	Restricted & Unrestricted Prior Year FY23-24 (July 2023 to December 2023)	Restricted & Unrestricted Prior Year FY23-24 (Jul 2023 to June 2024)
<i>Period: FY2024-25 - 06-Dec</i>					
Revenues	163,009.09	1,976,974.76	2,139,983.85	2,711,604.21	5,689,048.00
Non-Charitable Revenue	0	18,846.79	18,846.79	49,555.98	112,051.76
Deferred Gifts- Revenue	0	0	-	0	385.05
Contributions	88,551.12	956,029.39	1,044,580.51	1,297,561.55	1,924,293.84
Investment Activity	74,457.97	876,910.76	951,368.73	1,191,156.36	2,658,153.76
Gifts In Kind- Revenue	0	125,187.82	125,187.82	173,330.32	994,163.59
<i>Total Revenue</i>	<i>163,009.09</i>	<i>1,976,974.76</i>	<i>2,139,983.85</i>	<i>2,711,604.21</i>	<i>5,689,048.00</i>
Transfers	218,816.39	(218,816.39)	-	0.00	0.00
<i>Total Transfers</i>	<i>218,816.39</i>	<i>(218,816.39)</i>	<i>-</i>	<i>0.00</i>	<i>0.00</i>
<b>Total Revenue and Transfers</b>	<b>381,825.48</b>	<b>1,758,158.37</b>	<b>2,139,983.85</b>	<b>2,711,604.21</b>	<b>5,689,048.00</b>
Expenditures	210,936.80	1,026,711.85	1,237,648.65	1,041,733.19	3,694,603.82
General And Administrative	208,630.85	185,368.39	393,999.24	552,249.40	2,139,520.55
7900:Contingencies and Suspense	0	0.00	0.00	0	0.00
7600:Other Student Aid	1,305.95	62,392.81	63,698.76	28,761.68	163,699.49
Student Financial Support - Scholarships And Emergency Funds	1,000.00	653,762.83	654,762.83	287,391.79	682,623.58
7500:Student Financial Aid Expense - Scholarships	1,000.00	569,642.00	570,642.00	221,450.00	458,168.00
7500:Student Financial Aid Expense - Emergency Funds		84,120.83	84,120.83	65,941.79	224,455.58
Gifts In Kind- Expense	0	125,187.82	125,187.82	173,330.32	708,760.20
4700:Non-cash Gift-in-Kind	0	125,187.82	125,187.82	173,330.32	708,760.20
<b>Total Expenditures</b>	<b>210,936.80</b>	<b>1,026,711.85</b>	<b>1,237,648.65</b>	<b>1,041,733.19</b>	<b>3,694,603.82</b>
Net Fund Balance, Beginning of Year	2,437,128.73	20,800,953.40	23,238,082.13	21,243,637.95	21,243,637.95
Revenues Over (Under) Expenditures	170,888.68	731,446.52	902,335.20	1,669,871.02	1,994,444.18
<b>Net Fund Balance, End of Period</b>	<b>2,608,017.41</b>	<b>21,532,399.92</b>	<b>24,140,417.33</b>	<b>22,913,508.97</b>	<b>23,238,082.13</b>

**FY24-25 Q1 and Q2 - Statement of Functional Expense**

<b>Sum of Net Amount</b>	<b>Column Labels</b>		
<b>Row Labels</b>	<b>2002_DG MCCF Management &amp; Admin</b>	<b>2003_DG MCCF Programming</b>	<b>Grand Total</b>
2800:Salary Expense	122,186.26	27,257.96	149,444.22
4500:Supplies	487.58	31,097.86	31,585.44
4700:Non-cash Gift-in-Kind		125,187.82	125,187.82
5100:Other Services	8,138.53	2,421.50	10,560.03
5200:Travel, Conferences, Training	7,971.56	65,034.04	73,005.60
5300:Dues and Memberships	3,230.00	3,860.00	7,090.00
5600:Contract Services	2,500.00	49,565.87	52,065.87
5800:Advertising and Postage	42,179.22	28,068.86	70,248.08
7500:Student Financial Aid Expense		654,762.83	654,762.83
7600:Other Student Aid		63,698.76	63,698.76
<b>Grand Total</b>	<b>186,693.15</b>	<b>1,050,955.50</b>	<b>1,237,648.65</b>



<b>As of 12.31.2024</b>		
<b>CASH &amp; ST OPERATING</b>		
<b>US Bank</b>	365,302.93	UB Statement balance; Cash in ledger may have a different balance due to outstanding checks or deposit in transit.
<b>LAIF</b>	535,495.46	LAIF Statement balance
	<b>900,798.39</b>	
<b>INVESTMENTS</b>		
<b>Vanguard - Endowment Portfolio</b>	15,878,123.74	
<b>Vanguard - Excess Reserve Portfolio</b>	3,925,406.76	
<b>Vanguard - Reserve Portfolio</b>	1,098,475.87	
<b>Vanguard - JAFFY</b>	77,188.61	
<b>Vanguard - Title V</b>	506,211.08	
<b>Osher, as of June 30, 2024</b>	848,155.19	
	<b>22,333,561.25</b>	
<b><i>*Recommendations for transfer (aside from those indicated in the investment policy)</i></b>		
<b>Transfer from VG Endowment to US bank - Endowment f</b>	<b>207,250.58</b>	
<b>Transfer from VG Endowment to LAIF - Distribution</b>	<b>492,308.01</b>	

Accounts	UB	LAIF	VG - Reserve Portfolio	VG - Excess Reserve Portfolio	VG - Endowment Portfolio	TOTAL
<b>Target</b>	<b>\$ 175,000</b>	<b>\$ 500,000</b>	<b>\$ 1,000,000</b>	<b>No Max</b>		
<b>Move If...</b>	UB to LAIF if over 250k	LAIF to Resv if over 750k	Resv to ExResv if over \$1M			
<b>Beginning Balances</b>	<b>365,302.93</b>	<b>535,495.46</b>	<b>1,098,475.87</b>	<b>3,925,406.76</b>	<b>15,878,123.74</b>	<b>21,802,804.76</b>
<b>Recommendations:</b>	<b>Notes</b>					
Q2 Endowment gifts \$89,433.52- Move from US Bank to Endowment	(89,433.52)				89,433.52	
12/31/2024 Distributions and fees (1.5% Endowment management fees) - Move from Endowment to US Bank	207,250.58				(207,250.58)	
	<i>Following the Investment Policy target balance waterfall - Endowment to US Bank</i>					
12/31/2024 Distributions and fees (3.5% Endowment distribution for Fall Scholarships) - Move from Endowment to LAIF		492,308.01			(492,308.01)	
	<i>As discussed in the Dec 2023 Finance Committee Meeting, funds will be kept in LAIF until needed for Fall distribution instead of holding the funds in Excess reserve - Endowment to US Bank to LAIF</i>					
<b>Ending balances</b>	<b>483,119.99</b>	<b>1,027,803.47</b>	<b>1,098,475.87</b>	<b>3,925,406.76</b>	<b>15,267,998.67</b>	<b>21,802,804.76</b>
<i>Other moves for Foundation's Finance committee review</i>						
Move from LAIF to US Bank	277,803.47	(277,803.47)				
	<i>Following the Investment Policy target balance waterfall - LAIF to US Bank (maintain \$750K max in LAIF)</i>					
Move from US Bank to Excess Reserve	(410,923.46)			410,923.46		
	<i>Following the Investment Policy target balance waterfall - UB to Reserve to Excess Reserve</i>					
<b>Ending balances, if additional moves are made</b>	<b>350,000.00</b>	<b>750,000.00</b>	<b>1,098,475.87</b>	<b>4,336,330.22</b>	<b>15,267,998.67</b>	<b>21,802,804.76</b>

**FY24/25 Q2 Top Ten Donations**

<b>Donor name</b>	<b>Date</b>	<b>Type</b>	<b>Amount</b>	<b>Fund</b>
The Conrad Prebys Foundation	12/3/2024	One-time gift	116,500.00	TRANSITIONS Seeding Justice Empowerment Circles Conrad Prebys
TrueCare/The Conrad Prebys Foundation	10/16/2024	One-time gift	70,131.60	NURSING Medical Assistant TrueCare via Prebys Foundation FY24-26
Al and Helen Free Foundation	12/10/2024	One-time gift	50,000.00	Al and Helen Free STEAM Endowed Scholarship
Tom and Paula Wilson	10/22/2024	One-time gift	50,000.00	Former Foster Youth
Julie and David Hatoff	10/22/2024	Pledge payment	29,000.00	Hatoff Tapestries Program Pledge
Elaine and Bob Algeo	12/23/2024	One-time gift	25,000.00	Endowment Matching Gift Campaign; General Student Success Scholarships; Spotlight Theatre Merit Awards
Bob Ciardella and Bessie Chin	12/10/2024	One-time gift	25,000.00	UPRISE Program - DACA
Kitchell Foundation	12/23/2024	One-time gift	22,500.00	Annual Fund
Cushman Foundation	11/26/2024	One-time gift	20,000.00	Student Emergency Financial Assistance - Cushman Foundation
Anthony and Anne Ongyod	12/19/2024	One-time gift	12,500.00	Endowment Matching Gift Campaign

	Actual FY23/24	Goals FY24/25	LY - YTD as of 12/31/24	YTD as of 12/31/24
<b>Students Supported</b>				
<b>Number of Students Supported (unduplicated)*</b>	720	Not Projected	report unavailable	700
Scholarships	624	Not Projected	337	545
Direct Student Aid Cash	358	Not Projected	152	186
Direct Student Aid- Non Cash (Gift Cards and Campus Fees)	Not Tracked Yet	Not Tracked Yet	Not Tracked Yet	Not Tracked Yet
<i>*Please see financial statements for the dollar amount.</i>				
<b>Fundraising Plan Priorities**</b>				
	<b>\$1,722,362</b>	<b>\$1,405,000</b>	<b>\$1,204,731</b>	<b>\$837,210</b>
<b>College Affordability (Financial Support for Students): \$750,000 to \$1,500,000</b>	<b>\$279,230</b>	<b>\$750,000</b>	<b>\$72,607</b>	<b>\$255,138</b>
Resilience Funds	\$43,694	\$500,000	\$22,605	\$103,993
Scholarships	\$235,536	\$250,000	\$50,002	\$151,145
<b>Endowed Funds for Long-Term Sustainability: \$130,000</b>				
	<b>\$225,122</b>	<b>\$130,000</b>	<b>\$215,950</b>	<b>\$39,666</b>
<b>Program and Campus Needs: \$250,000 – \$500,000</b>	<b>\$1,117,997</b>	<b>\$350,000</b>	<b>\$846,341</b>	<b>\$449,557</b>
<b>Unrestricted Funds: \$150,000 to \$200,000</b>	<b>\$100,013</b>	<b>\$175,000</b>	<b>\$69,833</b>	<b>\$92,849</b>
Annual Fund: \$100,000	\$57,074	\$100,000	\$43,056	\$64,282
President's Circle: \$25,000 - \$50,000	\$19,439	\$25,000	\$8,777	\$6,542
Event Sponsorships: \$25,000 - \$50,000	\$23,500	\$40,000	\$18,000	\$22,025
<b>Estate Giving: In plan, budgeted at \$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>** Cash only; Gift in Kind not included</i>				
<b>Fundraising Plan Statistics</b>				
<b>Major Gifts***</b>				
Number of Individual Major Gifts \$10k+	10	20	5	13
Total Raised from Individual Major Gifts \$10k+	\$465,020	\$200,000	\$152,500	\$273,500
<b>Planned Giving</b>				
Number of New Heritage Society Members	2	5	1	0
Number of Total Heritage Society Members	44	49	43	44
Number of Estate Gifts Received	0	1	0	0
<b>Annual Donors</b>				
Number of Members in President's Circle by Fiscal Year	54	59	39	20
Number of Annual Fund Donors by Fiscal Year	69	80	56	58
<b>Payroll Giving</b>				
Number of Payroll Donors	134	150	141	129
Total Raised in Payroll Donations	\$72,388	\$78,000	\$36,726	\$33,058
<b>Grants</b>				
Number of Grant Donors	25	28	13	16
Total Raised from Grants Received	\$809,250	\$300,000	\$631,825	\$300,200

<b>RESERVE : OPERATING RATIO</b>						
<b>RESERVE FUNDS</b>	<b>Actual at 6/30/24</b>	<b># Years Operating in Reserve</b>	<b>Projected at 6/30/25</b>	<b># Years Operating in Reserve</b>	<b>VERSION 2: FY 2025/26 - Budget</b>	<b># Years Operating in Reserve</b>
Total Unrestricted Fund Balances	\$1,783,493	4.4	\$1,771,012	4.3	\$1,640,396	3.2
<b>FOUNDATION BUDGET</b>	<b>Actual at 6/30/24</b>		<b>Projected at 6/30/25</b>		<b>VERSION 2: FY 2025/26 - Budget</b>	
Revenue	\$494,916		\$395,457		\$435,000	
Operations & Program Allocations Expenses	\$409,304		\$410,339		\$515,617	
<b>Net</b>	<b>\$85,612</b>		<b>-\$14,883</b>		<b>-\$80,617</b>	

**BOARD CONSIDERATION / DISCUSSION**

- Policy for reserves (Ex: Determine the number of months expenses to reserve)
- ROI and utilizing funds for greatest impact (Ex: Scholarship gaps; student emergencies; foundation grants)

**ANNUAL OPERATING BUDGET**

Foundation Unrestricted Operations Revenue	FY 2023/24 - Actual	FY 2024/25 - Budget	FY 2024/25 - Projected	VERSION 1 FY 2025/26 - Budget (inflation only)	VERSION 2 FY 2025/26 - Budget	FY 2025/26 Notes
Endowment Fees (1.5)	\$209,399		\$207,251	\$210,000	\$210,000	proj w/ 1.5% fee-no pol change
Interest	\$33,459		\$27,970	\$30,000	\$30,000	
Administration Fees	\$28,222	\$260,000	\$38,794	\$40,000	\$40,000	
Initial Grant Fees	\$0		\$5,000	\$10,000	\$10,000	
Initial Endowment Fees	\$7,500		\$3,000	\$5,000	\$5,000	
Unrestricted Endowed Fund Distributions	\$95,335	\$94,000	\$93,167	\$95,000	\$95,000	
Trusts and Planned Gifts Fee (5%)	\$0	\$0	\$0	\$0	\$0	zero budgeting policy
Follett Unrestricted	\$100,000	\$0	\$0	\$0	\$0	gift complete
<b>Total Unrestricted Revenue (Non-Charitable)</b>	<b>\$473,916</b>	<b>\$354,000</b>	<b>\$375,182</b>	<b>\$390,000</b>	<b>\$390,000</b>	
<b>Total Unrestricted Event Revenue (Charitable)</b>	<b>\$21,000</b>	<b>\$25,000</b>	<b>\$20,275</b>	<b>\$30,000</b>	<b>\$45,000</b>	Would request board solicitation
<b>Total Revenue - Foundation Unrestricted Op</b>	<b>\$494,916</b>	<b>\$379,000</b>	<b>\$395,457</b>	<b>\$420,000</b>	<b>\$435,000</b>	
% incr/Decr over prev year budget (Op only)		-23%		11%	15%	
Foundation Operations & Program Allocation Expenses	FY 2023/24 - Actual	FY 2024/25 - Budget	FY 2024/25 - Projected	VERSION 1 FY 2025/26 - Budget (inflation only)	VERSION 2 FY 2025/26 - Budget	FY 2025/26 Notes
Foundation Staffing	\$226,786	\$249,957	\$249,957	\$262,455	\$291,617	Incr .2 FTE
Management	\$22,855	\$26,000	\$12,927	\$15,000	\$15,000	
Donor Management Systems	\$56,435	\$3,000	\$14,950	\$18,000	\$18,000	
Foundation Board	\$3,500	\$4,100	\$1,742	\$4,000	\$4,000	
Donor Cultivation & Stewardship	\$7,980	\$4,700	\$2,284	\$4,000	\$4,000	
Campus Program Support	\$25,400	\$0	\$0	\$0	\$0	
Community Sponsorships - Foundation Requested		\$15,000	\$15,000	\$15,000	\$15,000	
Marketing & Communications - Foundation	\$10,610	\$12,000	\$30,730	\$12,000	\$40,000	Prospecting/new donors sol
Events - Foundation Cultivation & Stewardship	\$13,465	\$10,000	\$10,801	\$15,000	\$15,000	
Events - Campus & Programs	\$20,273	\$15,000	\$16,949	\$23,000	\$23,000	
<b>Subtotal Operations</b>	<b>\$387,304</b>	<b>\$339,757</b>	<b>\$355,339</b>	<b>\$368,455</b>	<b>\$425,617</b>	
% incr/Decr over prev year budget (Op only)				8%	25%	
Foundation Board Grants	\$0	\$40,000	\$40,000	\$40,000	\$60,000	add'l grants or higher amounts
Executive Director's Fund	\$12,000	\$10,000	\$10,000	\$10,000	\$10,000	
Alumni Association	\$10,000	\$5,000	\$5,000	\$10,000	\$20,000	expand alumni support
<b>Subtotal Program Allocations</b>	<b>\$22,000</b>	<b>\$55,000</b>	<b>\$55,000</b>	<b>\$60,000</b>	<b>\$90,000</b>	
<b>Total Expenses - Op &amp; Alloc Fdn Supported</b>	<b>\$409,304</b>	<b>\$394,757</b>	<b>\$410,339</b>	<b>\$428,455</b>	<b>\$515,617</b>	
% incr/Decr over prev year budget				9%	31%	
<b>NET</b>	<b>\$85,612</b>	<b>-\$15,757</b>	<b>-\$14,883</b>	<b>-\$8,455</b>	<b>-\$80,617</b>	Utilize Reserve Funds (below)

Unrestricted Gift-Fund Balances	Actual at 6/30/24	Notes	Projected at 6/30/25	V1 Projected at 6/30/26	V2 Projected at 6/30/26	FY 2025/26 Notes
100833_GF Operational	\$54,713		\$34,593			
100832_GF Unrestricted Fund	\$831,327		\$800,799			
101406_GF Follett Unrestricted	\$400,000		\$400,000			
100838_GF Board Reserves	\$50,000		\$50,000			
100822_GF Masinter Distribution Fund	\$96,073		\$103,041			
100831_GF Chaffee - Endowment Distribution Fund	\$19,482		\$19,519			
100824_GF General End Distribution Fund	\$12,725		\$19,601			
100825_GF Eckley Distribution Fund	\$14,444		\$13,730			
<b>SubTotal Unrestricted (foundation or campus use)</b>	<b>\$1,478,764</b>	Reserve-Unrestricted	<b>\$1,441,283</b>	<b>\$1,432,828</b>	<b>\$1,360,667</b>	
<b>100835_GF Annual Fund</b>	<b>\$304,729</b>	Reserve-Stud/Campus	<b>\$329,729</b>	<b>\$279,729</b>	<b>\$279,729</b>	
<b>Total Unrestricted Fund Balances</b>	<b>\$1,783,493</b>		<b>\$1,771,012</b>	<b>\$1,712,557</b>	<b>\$1,640,396</b>	

## **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 four 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 Foundation and any other parties to whom the Foundation 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 Foundation.

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 Foundation.

### **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, Endowment Portfolio, and the Title V Grant 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. It is the Board's intent to invest all long-term funds using the same target allocation, whether funds are endowed or Board designated/quasi-endowed funds. Gifts with donor restrictions will be invested as per instructions.
- 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.
- 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 if available) and 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.

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. **Limitations on Spending -- General Policy.** In general, current spending will not be funded by accessing the principal corpus of the Endowment Portfolio. The distribution of Endowment Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the

Foundation's real assets over time. The Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Foundation's spending policy, its target asset allocation, or both. Establishing the Spending Rate. The Committee will review and recommend the annual spending rate to the Board within 60 days following the end of each calendar year. The Foundation presently seeks to maintain an annual spending rate of no more than 5.5% of the 3-year trailing average of the Endowment Portfolio (valued on December 31 of each year.) Any excess earnings will be re-invested into the Endowment Portfolio. An endowment management fee of 1.5% will be assessed first, then a maximum of 4% will be used for charitable purposes as designated by the donor or determined by the Board. (See Appendix 1 for related administrative procedures.)

- D. **Adjusting the Endowment Management Fee.** The Committee has the option of adjusting the endowment management fee up to the Uniform Prudent Management of Institutional Funds Act mandated maximum of 2%. The Committee also has the option of reducing the fee as long as the resulting fee income to the Foundation is adequate to fully fund operational and employee costs. (See Appendix 1 for related administrative procedures.)
- E. **Maintaining an Operational Reserve.** Recognizing that stability and continuity are important to good management and administration, the Management will seek to hold an operational reserve such that in down market years reductions

in business operations and layoffs are unnecessary. In addition, Management will aim for a stable budget, and when necessary, plan for significant increases or cuts to the budget to meet extraordinary one-time costs.

## **VIII. Portfolio Investment Policies**

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

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

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

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

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

### **B. Asset Allocation-General**

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

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

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

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

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

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



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

### **F. 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.

### **G. 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:
  - i. 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.
  - ii. 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:
  - iii. If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.

- iv. If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
    - v. The investment manager may provide a rebalancing recommendation at any time.
  2. 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.
  3. The specific performance objective is to attain, within acceptable risk levels, an average annual long-term total return that meets or exceeds the sum of the Foundation's spending rate plus inflation (as measured by the CPI, consumer price index) plus investment management and related fees. In cases where the Foundation is appointed trustee of a charitable trust, the investment objective is to achieve a return that satisfies the distribution rate while retaining as much corpus as possible.

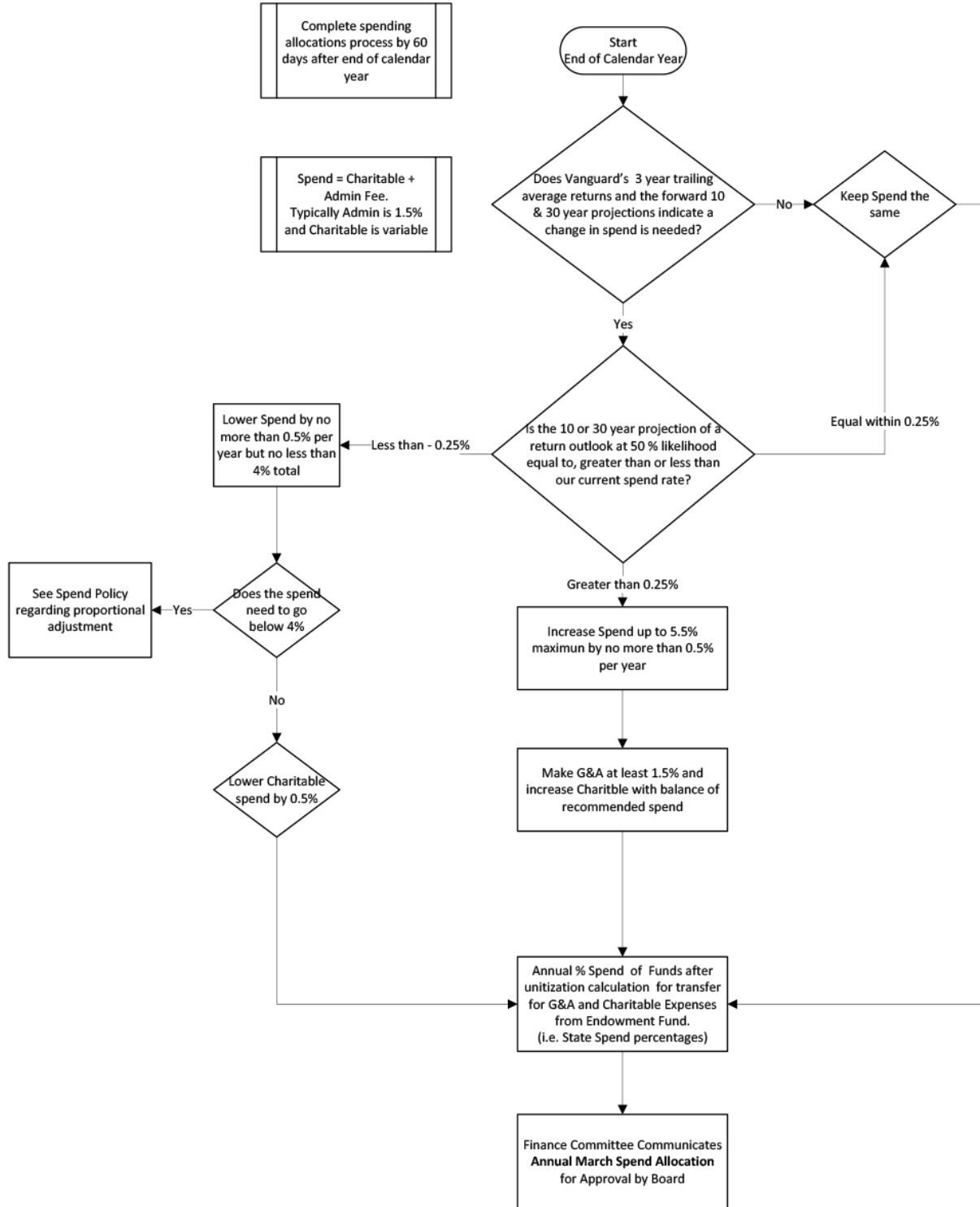
### **G. Reporting**

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

## **Appendix**

### **Investment and Spending Policy Flow Chart**

MiraCosta College Foundation: Investment & Spending Policy



MiraCosta College Foundation: Investment & Spending Policy

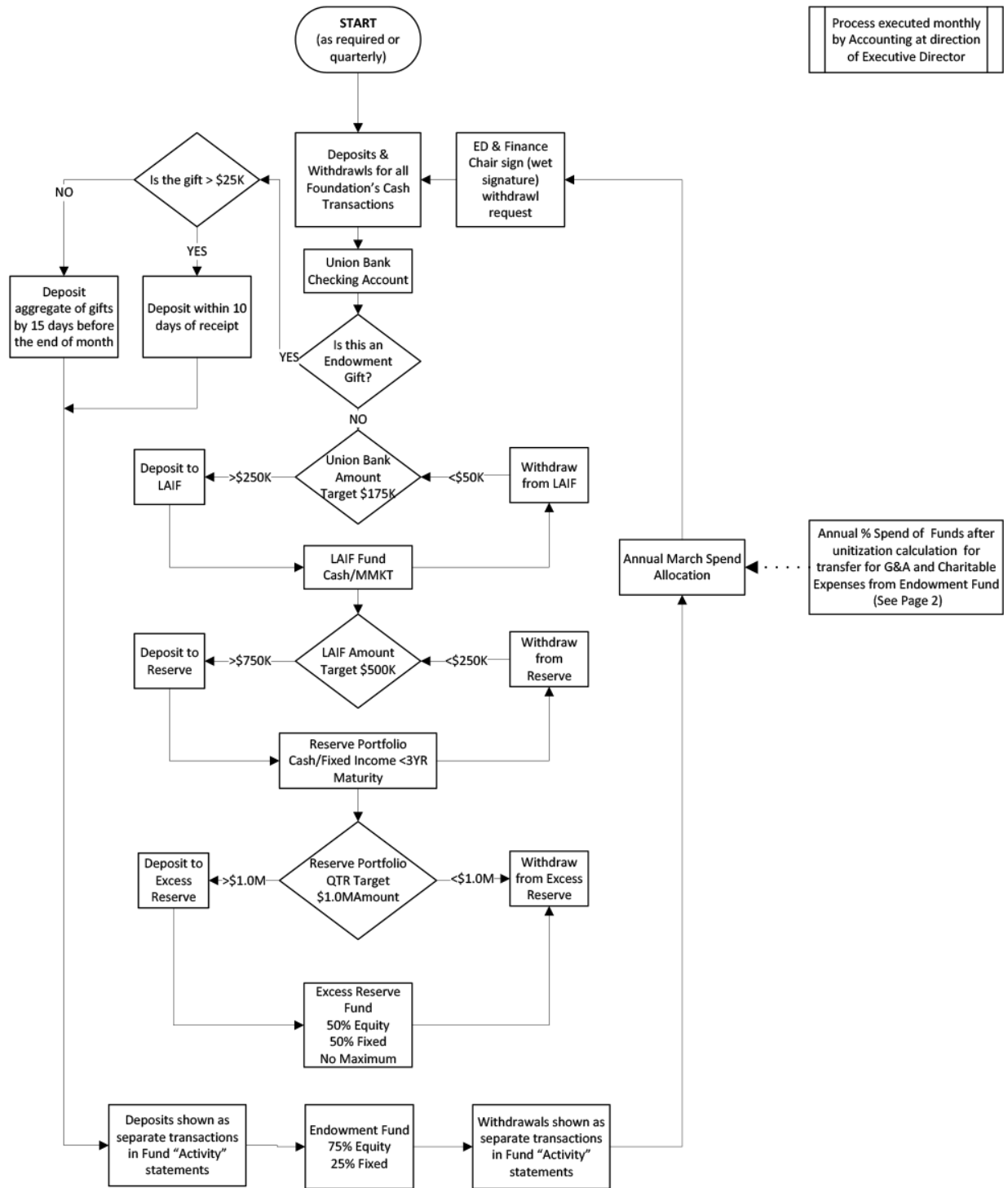


Exhibit A: Asset Allocation Guidelines for the "Endowment Portfolio"

## MiraCosta College Foundation: Investment &amp; Spending Policy

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

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

Approved by the Foundation Board on 11/17/2016

### **Exhibit B: Asset Allocation Guidelines for the "Reserve Portfolio"**

MiraCosta College Foundation: Investment & Spending Policy

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

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

Exhibit B approved by Finance Committee on: (date)

Approved by the Foundation Board on : (date)

**Exhibit C: Asset Allocation Guidelines for the "Excess Reserve Portfolio"**

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

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

Approved by the Foundation Board on 11/17/2016

**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.

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

Established by Management: 11/10/2016

1. Within 60 days following the end of the calendar year, Management will provide to the Finance Committee the following information:
  - a. Rate of returns on the Endowment Fund for each of the three previous calendar years

- b. Recommended spending rates based on the three-year trailing average value for the Endowment Fund and normal accounting procedures. The recommendations will include:
  - i. Endowment management fee, not to exceed to 2% (currently 1.5%)
  - ii. Recommended charitable purpose spending rate that is compliant with prudent management and industry best practices.
2. The process for allocating endowment earnings are as follows:
  - a. In accordance with Board policy, the endowment management fee (currently set at 1.5%) is allocated first to the operational fund for the Foundation.
  - b. Funds are secondly allocated for charitable purposes (currently set at 3.5%) as designated by the donor or for allocation by the Board.
  - c. The calculation that is currently used to establish the Foundation maximum spending is as follows: 1.5% (endowment management fee + 4% (charitable purpose allocations) = 5.5% (maximum spending limit as established by policy)
3. When earnings are below the Board's established spending limits:
  - a. If the three-year average growth rate of the Endowment Portfolio were to decline, and 5.2% was determined to be the prudent maximum spending rate, the calculation to derive charitable spending would be: 5.2% (earnings) – 1.5% (endowment management fee) = 3.7% for charitable purpose allocations.
4. Adjusting the endowment management fee: In the occurrence when endowment portfolio earnings drop below 5.5%, the Finance Committee may consider reducing the 1.5%



endowment management fee, so long as the funding provided is adequate to fully fund the Foundation's business and operating costs, including essential and productive staff positions. If the management fee is to be reduced, the reduction should be proportional. Here is an example:

- a. The 1.5% endowment management fee expressed as a percentage of the 5.5 distribution is 27.27% ( $1.5\%/5.5\% = 27.27\%$ ) Therefore, if the earnings were to decline to 4.9% and the Committee agreed to proportionally reduce the management fee, the calculation would be as follows,  $(4.9\% \times 27.27\%) / 100 = 1.34\%$ . This would provide a 1.34% spending rate for charitable purposes.

\*\*Approved by the MCCF Board on August 27, 2024

**Memorandum of Understanding**  
**MiraCosta Community College District and MiraCosta College Foundation**  
**2025 Review**

**Purpose**

The Memorandum of Understanding (MOU) is the formal agreement, renewed every five years, which defines the parameters of the relationship between the MiraCosta Community College District (District) and the MiraCosta College Foundation (Foundation). The MOU sets forth the services or support each entity will provide the other.

**Fiscal Year 2023/24 Support and Impact**

In the last fiscal year, the District provided a total of \$662,114 of in-kind support for staffing and facilities. In compliance with the MOU, the Foundation returned more than \$4 for every \$1 invested by the District in resources and support to the campus community.

**2025 Draft**

With a futures mindset, District and Foundation staff recommend modifying the MOU to include public relations or other public purposes directly related to the District's mission, as determined by the District.

This proposed change to the MOU would not itself expand the amount of financial support from the District to the Foundation. Rather, it would allow support from the district to include public relations or other public purposes, in line with the District strategy, which created the Office of Advancement, which now integrates the Development/Foundation Office, the Public Information Office, and the Alumni Association. As with all support outlined in the MOU, these services and funds provided by the Foundation to the District will have a fair-market value in excess of the value provided by the District.

**2025 Timeline**

February 4, 2025: The MiraCosta College Foundation's Finance Committee reviews with an Action Item for the Executive Committee to review.

February 4, 2025: The MiraCosta College Foundation's Executive Committee reviews with an Action Item for the full MiraCosta College Foundation Board of Directors to review.

February 25, 2025: The MiraCosta College Foundation Board of Directors reviews with an action item for the MiraCosta Community College District's Board of Trustees to ratify.

March 27, 2025: The MiraCosta Community College District's Board of Trustees reviews as a ratification item.

**MEMORANDUM OF UNDERSTANDING  
BETWEEN THE MIRACOSTA COMMUNITY COLLEGE  
DISTRICT AND THE MIRACOSTA COLLEGE FOUNDATION**

THIS AMENDED AND RESTATED MEMORANDUM OF UNDERSTANDING ("Agreement") is entered into this \_\_\_\_ day of \_\_\_\_\_, by and between the MiraCosta Community College District ("District"), and the MiraCosta College Foundation ("Foundation") a nonprofit California corporation created and operated for the benefit of the District. This Agreement supersedes any prior agreement or memorandum of understanding between the parties, including the June 24, 2015, memorandum of understanding.

**BACKGROUND AND PURPOSE**

WHEREAS, the Foundation is an independent, 501(c)(3) nonprofit corporation. It has not been designated as a community college auxiliary organization described in Education Code §§ 72670 et seq., and it exists to serve the District; and

WHEREAS, the Foundation's purpose is to promote the interests and welfare of the District, accept and steward gifts and grants donated for the benefit of the District, and to actively assist the District in fundraising activities; the District initiates and implements fundraising and alumni/community outreach functions;

WHEREAS, the District desires the Foundation to continue its assistance to the District, including its stewardship of donor funds and assistance in fundraising efforts directed toward expanding and enhancing the educational goals and capabilities of the District, and further desires to make available to the Foundation support toward meeting these objectives and will provide certain support to the Foundation to further both the District's and Foundation's purposes;

WHEREAS, the District believes that so long as the Foundation continues to adequately perform funds management and fundraising assistance to the District, as determined by the District, the District's best interests are served by continuing to support the Foundation's operations by providing personnel, certain facilities, amounts for public relations or other public purposes, and administrative services, including the services of the District's Associate Vice President of Institutional Advancement as set forth in this Agreement;

WHEREAS, the Board of Trustees of the District believes the services and funds provided by the Foundation to the District have a fair-market value in excess of the value of the facilities, administrative services, amounts provided for public relations or other public purposes, and personnel provided by the District to the Foundation.

NOW THEREFORE, the District and the Foundation hereby enter into this Agreement defining the parameters of their relationship.

**ARTICLE I: Foundation's Responsibilities and Relationship to the District**

The Foundation agrees to provide the District the following services:

- A. To receive and administer gifts of property, real or personal, financial or otherwise, to be used on behalf of the District, its faculty, students, and staff all according to the terms of the donor. In the event the donor does not specify the terms or all the terms for which the gift shall be used, the Foundation shall administer and use the gift for the benefit of the District in accordance with the District's needs and priorities.
- B. To hold, manage, and distribute assets in its possession for the dedicated purpose of supporting the mission of the District.
- C. To assist with fundraising efforts as defined by the District through the identification, cultivation, and solicitation of philanthropic contributors to the District.
- D. To continue to promote the District's best interest, when requested, within the region, state, and nation to raise the visibility and enhance the reputation of the District.
- E. To keep accurate and confidential financial records of donors and donor funds and to make such records promptly available to the District upon the District's request.
- F. To assist with the appropriate stewardship, recognition, and acknowledgement to donors through timely correspondence, gift clubs, and recognition events.
- G. To abide by ethical and legal practices as is in accordance with the Foundation's charitable 501(c)(3) status.
- H. To establish a financial plan to underwrite the cost of Foundation programs, operations, and services not provided by the District.
- I. To have a separate annual audit of the financial records of the Foundation conducted by an independent CPA auditing firm approved by the Foundation Board, and to make all audit information promptly available to the District by the end of the first quarter of each calendar year.
- J. Provide an annual financial report to the District Board of Trustees, including an annual statement describing the benefits and services of the Foundation.
- K. To develop and abide by gift acceptance guidelines and policies that are in accordance with the District's mission, goals, policies, procedures, and objectives.
- L. To provide seed grants for new program development and for the purpose of securing and stewarding institutional relationships and partnerships, including

performing all tasks associated with grants, including, but not limited to, grant writing, administering, and reporting.

- M. To provide scholarships to the students of the District in accordance with the awarding of those scholarships through the District's Scholarship and Financial Aid Office.
- N. To maintain and manage an endowment, including the establishment of fund agreements with donors, setting and implementing investment and spending policies and procedures that prudently steward the principal of the endowment and honor donor intent, as prescribed by the Uniform Prudent Investor Act, the Uniform Prudent Management of Institutional Fund Act, and other applicable California laws.
- O. To receive, hold, manage, invest, and disburse contributions of cash, securities, patents, copyrights, and other forms of property, including immediately vesting gifts and deferred gifts that are contributed in the form of planned and deferred gift instruments, and disposition or allocation of real estate or other forms of tangible property.
- P. To permit the following individuals to serve as non-voting advisors to the Foundation Board: the District Superintendent/President, the District Vice President of Administrative Services, the District Associate Vice President of Institutional Advancement, District Board of Trustees Liaison, and representatives of the following District organizations: Academic Senate, Classified Senate, and Associated Student Government.
- Q. To promptly disclose any terms, conditions, or limitations imposed by the donor or legal determination on any gift to be transferred or distributed to the Superintendent/President or designee on behalf of the District. Acceptance of gifts will follow the Foundation "Solicitation and Acceptance of Gifts" policy attached to this Agreement as Exhibit "A".
- R. To develop policies and procedures that will allow for the assessment of reasonable and proportionate gift and transaction fees, which will enable the Foundation to pay for a portion of the expenses associated with donor recognition as well as business operations of the Foundation, including reimbursing the District up to 25% of the District's Associate Vice President of Institutional Advancement and up to 40% of a full-time equivalent District accountant's compensation, and other payments, as agreed by the parties. The compensation reimbursement for the Associate Vice President of Institutional Advancement and the Accountant will be agreed to by the parties annually prior to the start of the fiscal year. The Foundation's current "Administrative Costs Recovery" policy is attached to this Agreement as Exhibit "B" and ~~are is~~ incorporated herein by this reference and will be reported to the District Board of Trustees when updated, as an informational item.
- . To perform any and all other services as requested by the District that are consistent with the Foundation's mission and purpose.

## ARTICLE II: District's Responsibilities and Relationship to the Foundation

The District agrees to provide the Foundation with the following limited services:

- A. To continue to provide the Foundation with personnel, certain facilities, amounts needed for public relations or other public purposes directly related to the District's mission, as determined by the District, and administrative services and staff to serve the Foundation for the benefit of the District, as determined by the Superintendent/President or designee. The District will provide these staff members as follows: the service of the Associate Vice President of Institutional Advancement to serve as the Foundation's Chief Operating Officer. The District agrees to assign up to 40% of a full-time equivalent District accountant to provide accounting and banking service support. Foundation reimbursement limits and timelines for these services will be determined annually as described in Article 1 section R. of this MOU
- B. To assist with such marketing services, as is reasonably necessary, for the Foundation to accomplish its goals. Such assistance to include:
  - 1. Creation of a logo and brand identity for the Foundation that is congruent with the MiraCosta College name, brand identity, and image;
  - 2. Development and facilitation of the MiraCosta College Foundation website; and
  - 3. Authorization to use the logo, brand identity, District name, images, and marketing brand in conformance with the District's branding guidelines, which may be modified by the District at any time.
- C. To provide information technology support including software, hardware, and functional support necessary to carry out its functions.
- D. To have the Superintendent/President of the District recommend for approval to the Board of Trustees, with the consultation of the Foundation Board, a person to serve as the Executive Director of the MiraCosta College Foundation. The Executive Director of the Foundation will be the District's Associate Vice President of Institutional Advancement, unless otherwise agreed by the District.
- E. To consider the recommendations of the Executive Director regarding staffing requirements of the Foundation and, if the Foundation determines it needs to hire personnel, to allow for the hiring of personnel through the District's normal processes and procedures as the District determines necessary.
- F. To support the operations of the Foundation by assigning, at the District's discretion, District personnel to assist the Foundation.
- G. To provide an accurate and fair process for the selection and awarding of scholarships, in conformance to the criteria established by scholarship donors.
- H. To communicate institutional priorities and long-term plans, as approved by the Board of Trustees and the District's administrative leadership to the Foundation, and to include

the Executive Director of the Foundation as an active participant in collegial governance and the campus community.

- I. To allow the District Superintendent/President, or their designee, to assume an appropriate role in the strategic aspects of fundraising activities, such as donor cultivation and community engagement.
- J. Acceptance of gifts on behalf of the District will follow the "Foundation Solicitation and Acceptance of Gifts" policy.
- K. District will allow the Foundation to occupy, operate, and use District property and services, either separately or jointly with the District, from time to time as agreed upon by the District and the Foundation. The Foundation~~s~~ must use such property or services in accordance with all District policies, rules, and regulations. The District has the right to enter and inspect all District facilities used by the Foundation and to revoke the Foundation's right to use District property or services at any time.
- ~~K-L.~~ To provide funding and support, for public relations or other public purposes, which serve to augment District appropriations or are otherwise directly related to the District's mission, as determined by the District. District and Foundation will ensure compliance with all requirements related to use of public funds. The District may audit all spending of the Foundation as set forth in Article V of this Agreement.

#### **ARTICLE III: Alignment of Interests**

- A. The District Superintendent/President shall have the right to cause the Foundation to cease any activity of the Foundation deemed, in their judgment, to be contrary to the interests of the District or inconsistent with the policies and practices or purposes of the District. This provision shall survive the termination of this Agreement.
- B. The parties agree that if this Agreement is terminated and no new Agreement or Memorandum of Understanding is agreed to between the parties within a reasonable period of time, as determined by the District, then after the payment of all of its debts and liabilities, the remaining net assets of the Foundation shall, consistent with donor intent, the Articles and Bylaws of the Foundation, and the California Nonprofit Law (i.e., California Corporations Sections 5000-10841, as amended from time to time) be distributed to the District or be expended for the benefit of the District in accordance with a Plan of Distribution as approved by the Superior Court and/or the California Attorney General.
- C. The Foundation will not enter into any gift agreement for the benefit of the District that seeks to obligate the District without the District Superintendent/President's, or designee's, prior written approval.

#### **ARTICLE IV: Non-assignability**

- A. The Agreement is not assignable by either party.

**ARTICLE V: Terms of Agreement**

- A. The Agreement will be in effect until it is changed or terminated by written agreement of the parties; in addition, the Board of Directors of the Foundation are expected to initiate a review of the agreement at least every five years. The District may terminate this Agreement upon ninety (90) days written notice to the Foundation.
- B. The Foundation agrees that the District or its auditors may inspect and audit all of the Foundation's records and documents, and make copies of all such records and documents, to ensure the Foundation complies with the requirements of this section and this Agreement. The Foundation will make all such records and documents available for inspection, reproduction, and audit, within five (5) days of the District's request to inspect, reproduce, or audit records and documents.

**ARTICLE VI: Leadership and Governance of the District and the Foundation**

The Foundation and the District have two separate and different systems for the selection of their leadership and governance:

- A. The District is governed by the Board of Trustees, which is composed of elected individuals who represent the voters of the District, and by one student representative who has an advisory role, and is elected by the student body for a one-year term. The Board of Trustees is responsible for setting priorities and long-term plans for the District and is legally accountable for the performance and oversight of all aspects of the District. The Board of Trustees is responsible for the employment, compensation, and evaluation of the Superintendent/President of the District.
- B. The Foundation is governed by the voting Foundation Board members. The Foundation Board is responsible for the control and management of all assets of the Foundation, including the prudent management of all gifts consistent with donor intent. The Foundation Board is responsible for the performance and oversight of all aspects of its operations based on a comprehensive set of bylaws that address fiduciary responsibilities, including expectations of all individual Board members to comply with ethical guidelines and policies.
- C. The District is responsible for the employment, compensation, and evaluation of the Associate Vice President of Institutional Advancement, who will serve as the Foundation's Executive Director and Chief Operations Officer, unless otherwise agreed by the District. Foundation Board members will provide the District's Superintendent/President annual performance feedback regarding the Executive Director.



**ARTICLE VII: Miscellaneous**

- A. This Agreement and its attachments represent the entire and integrated agreement between the District and the Foundation, and supersede all prior understandings, negotiations, representations, or agreements, whether oral or written.
- B. If any court of competent jurisdiction holds any term, condition, or provision of this Agreement to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force and effect, and shall not be affected, impaired, or invalidated in any way.
- C. No modification or amendment of any provision of this Agreement shall be effective unless the parties approve of the modification or amendment in an approved and signed writing. The parties will not construe the failure of a party to enforce any of the provisions of this Agreement as a waiver of such provisions and a party's failure to enforce any provisions of this Agreement shall not affect the right of either party thereafter to enforce each provision hereof in accordance with its terms.
- D. The parties may execute this Agreement in several counterparts, each of which the parties shall deem an original, but all of which together shall constitute one and the same agreement.
- E. The parties agree that time is of the essence and they shall perform the services required by this Agreement in an expeditious and timely manner so as not to unreasonably delay the purpose of this Agreement.

**IN WITNESS WHEREOF**, the Board of Trustees approve this Agreement on \_\_\_\_ day of \_\_\_\_\_, 20\_\_ and the Board of Directors approve this Agreement on \_\_\_\_ day of \_\_\_\_\_, 20\_\_. The parties have executed this Agreement in duplicate at Oceanside, California, as of the date(s) written below.

**MIRACOSTA COMMUNITY COLLEGE DISTRICT**

**MIRACOSTA COLLEGE FOUNDATION**

By: _____	Date: _____	By: _____	Date: _____
<a href="#">[Name]Rick Cassar</a>		<a href="#">[Name]Janice Kurth</a>	
President, Board of Trustees		President	
MiraCosta Community College District		MiraCosta College Foundation	

**Revision History [11/15/2005, 06/24/2015, 11/19/2020](#)**  
**Current Agreement: date**  
**First Amendment**

MiraCosta College Foundation: Investment & Spending Policy

## **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 four 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 Foundation and any other parties to whom the Foundation has delegated investment management responsibility for Portfolio assets.

MiraCosta College Foundation: Investment & Spending Policy

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 Foundation.

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 Foundation.

### **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, Endowment Portfolio, and the Title V Grant 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**

## MiraCosta College Foundation: Investment &amp; Spending Policy

- 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. It is the Board's intent to invest all long-term funds using the same target allocation, whether funds are endowed or Board designated/quasi-endowed funds. Gifts with donor restrictions will be invested as per instructions.
- 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.
- 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 if available) and 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

MiraCosta College Foundation: Investment & Spending Policy

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

## MiraCosta College Foundation: Investment &amp; Spending Policy

- 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.

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. Limitations on Spending -- General Policy.** In general, current spending will not be funded by accessing the principal corpus of the Endowment Portfolio. The distribution of Endowment Portfolio assets will be permitted to the extent that such distributions do not exceed a level that would erode the

Foundation's real assets over time. The Committee will seek to reduce the variability of annual Foundation distributions by factoring past spending and Portfolio asset values into its current spending decisions. The Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the Foundation's spending policy, its target asset allocation, or both. Establishing the Spending Rate. The Committee will review and recommend the annual spending rate to the Board within 60 days following the end of each calendar year. The Foundation presently seeks to maintain an annual spending rate of no more than 5.5% of the 3-year trailing average of the Endowment Portfolio (valued on December 31 of each year.) Any excess earnings will be re-invested into the Endowment Portfolio. An endowment management fee of 1.5% will be assessed first, then a maximum of 4% will be used for charitable purposes as designated by the donor or determined by the Board. (See Appendix 1 for related administrative procedures.)

- D. **Adjusting the Endowment Management Fee.** The Committee has the option of adjusting the endowment management fee up to the Uniform Prudent Management of Institutional Funds Act mandated maximum of 2%. The Committee also has the option of reducing the fee as long as the resulting fee income to the Foundation is adequate to fully fund operational and employee costs. (See Appendix 1 for related administrative procedures.)
- E. **Maintaining an Operational Reserve.** Recognizing that stability and continuity are important to good management and administration, the Management will seek to hold an operational reserve such that in down market years reductions



in business operations and layoffs are unnecessary. In addition, Management will aim for a stable budget, and when necessary, plan for significant increases or cuts to the budget to meet extraordinary one-time costs.

## **VIII. Portfolio Investment Policies**

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

Diversification across and within asset classes is the primary means by which the Committee expects the Portfolio to avoid undue risk of large losses over long time periods. To protect the Portfolio against unfavorable outcomes within an asset class due to the assumption of large risks, the Committee will take reasonable precautions to avoid excessive investment concentrations. Specifically, the following guidelines will be in place:

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

MiraCosta College Foundation: Investment & Spending Policy

**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**

## MiraCosta College Foundation: Investment &amp; Spending Policy

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**

MiraCosta College Foundation: Investment & Spending Policy

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.

#### **G. 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:
  - i. 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.
  - ii. 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:
  - iii. If any asset class (equity or fixed income) within the Portfolio is +/-5 percentage points from its target weighting, the Portfolio will be rebalanced.

## MiraCosta College Foundation: Investment &amp; Spending Policy

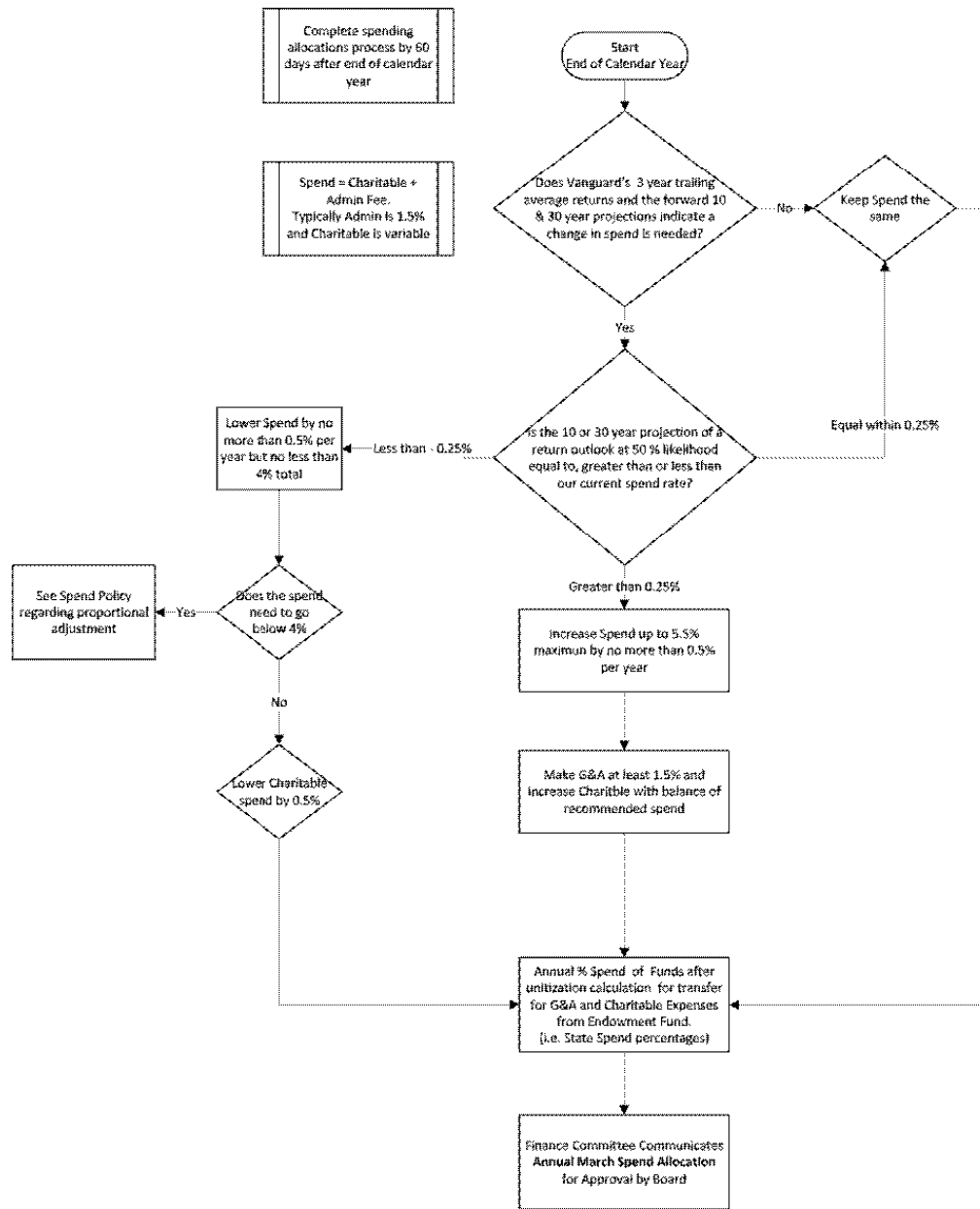
- iv. If any fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund will be rebalanced.
    - v. The investment manager may provide a rebalancing recommendation at any time.
  2. Performance shall be measured on a total return, time-weighted basis and 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.
  3. The specific performance objective is to attain, within acceptable risk levels, an average annual long-term total return that meets or exceeds the sum of the Foundation's spending rate plus inflation (as measured by the CPI, consumer price index) plus investment management and related fees. In cases where the Foundation is appointed trustee of a charitable trust, the investment objective is to achieve a return that satisfies the distribution rate while retaining as much corpus as possible.

**G. Reporting**

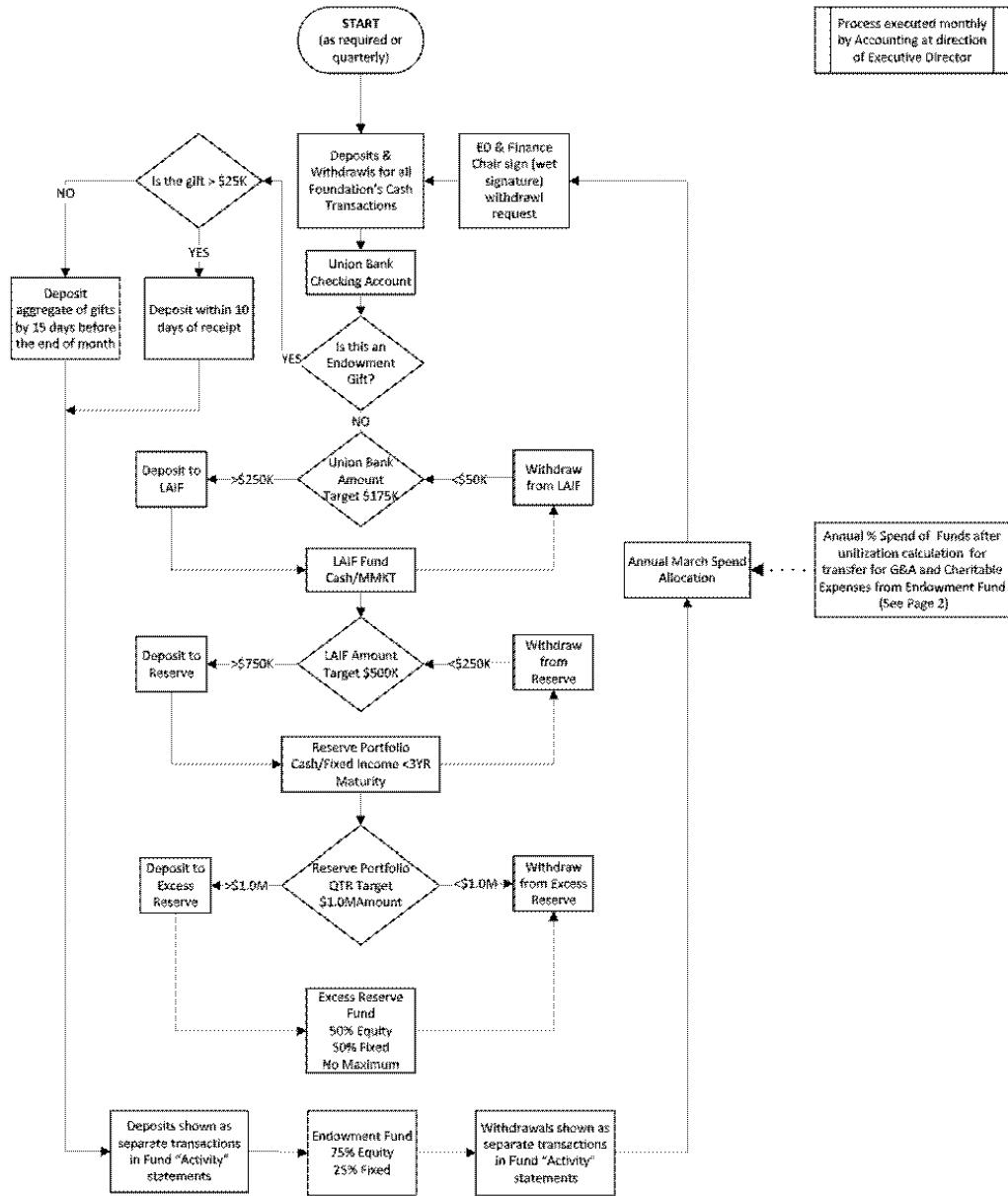
Investment reports shall be provided by the investment manager(s) on a (calendar) quarterly basis or more frequently if requested by the Committee. Each investment manager is expected to be available to review portfolio structure, strategy, and investment performance annually with the Investment Committee.

**Appendix****Investment and Spending Policy Flow Chart**

MiraCosta College Foundation: Investment & Spending Policy



MiraCosta College Foundation: Investment & Spending Policy



**Exhibit A: Asset Allocation Guidelines for the "Endowment Portfolio"**

## MiraCosta College Foundation: Investment &amp; Spending Policy

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

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

Approved by the Foundation Board on 11/17/2016

**Exhibit B: Asset Allocation Guidelines for the "Reserve Portfolio"**



## MiraCosta College Foundation: Investment &amp; Spending Policy

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

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

Exhibit B approved by Finance Committee on: (date)

Approved by the Foundation Board on : (date)

### Exhibit C: Asset Allocation Guidelines for the "Excess Reserve Portfolio"

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

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

Approved by the Foundation Board on 11/17/2016

### 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.

MiraCosta College Foundation: Investment & Spending Policy

(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.

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

Established by Management: 11/10/2016

1. Within 60 days following the end of the calendar year, Management will provide to the Finance Committee the following information:
  - a. Rate of returns on the Endowment Fund for each of the three previous calendar years

## MiraCosta College Foundation: Investment &amp; Spending Policy

- b. Recommended spending rates based on the three-year trailing average value for the Endowment Fund and normal accounting procedures. The recommendations will include:
        - i. Endowment management fee, not to exceed to 2% (currently 1.5%)
        - ii. Recommended charitable purpose spending rate that is compliant with prudent management and industry best practices.
2. The process for allocating endowment earnings are as follows:
  - a. In accordance with Board policy, the endowment management fee (currently set at 1.5%) is allocated first to the operational fund for the Foundation.
  - b. Funds are secondly allocated for charitable purposes (currently set at 3.5%) as designated by the donor or for allocation by the Board.
  - c. The calculation that is currently used to establish the Foundation maximum spending is as follows: 1.5% (endowment management fee + 4% (charitable purpose allocations) = 5.5% (maximum spending limit as established by policy)
3. When earnings are below the Board's established spending limits:
  - a. If the three-year average growth rate of the Endowment Portfolio were to decline, and 5.2% was determined to be the prudent maximum spending rate, the calculation to derive charitable spending would be: 5.2% (earnings) – 1.5% (endowment management fee) = 3.7% for charitable purpose allocations.
4. Adjusting the endowment management fee: In the occurrence when endowment portfolio earnings drop below 5.5%, the Finance Committee may consider reducing the 1.5%

## MiraCosta College Foundation: Investment &amp; Spending Policy

endowment management fee, so long as the funding provided is adequate to fully fund the Foundation's business and operating costs, including essential and productive staff positions. If the management fee is to be reduced, the reduction should be proportional. Here is an example:

- a. The 1.5% endowment management fee expressed as a percentage of the 5.5 distribution is 27.27% ( $1.5\%/5.5\% = 27.27\%$ ) Therefore, if the earnings were to decline to 4.9% and the Committee agreed to proportionally reduce the management fee, the calculation would be as follows,  $(4.9\% \times 27.27\%) / 100 = 1.34\%$ . This would provide a 1.34% spending rate for charitable purposes.

\*\*Approved by the MCCF Board on August 27, 2024

**Exhibit B****MiraCosta College Foundation: Administrative Costs Recovery Policy****Page 1 of 3****Objective**

An administrative costs recovery fee will be charged by MiraCosta College Foundation accounts according to the type of account. Fees assessed will be used to support the Foundation's efforts to cultivate, solicit, and steward gifts and other sources of revenue. Administrative costs are recovered for providing the following services:

- Accounts payable processing
- Accounts receivable processing
- Annual audit
- Annual State and Federal filing fees for non-profit organization
- Automated accounting
- Billing and collection services
- Cashiering
- Check preparation
- Contract preparation and review
- Expenditure controls (authorized purchase through purchase order control)
- Banking services
- General cash administration
- Insurance costs
- Legal services
- Monthly bank reconciliations
- Payroll/personnel administration
- Project management reports
- Risk management
- Staff support and accounting related matters
- Reporting to regulatory agencies (Chancellor's office, State of California, tax returns)

**Campus Program Accounts**

Campus program accounts are established for the support of a specific campus program or a department. Some examples of campus program accounts are: EOPS book fund, scholarship funds, campus beautification. A fee of 4% for each transaction will be assessed and charged against the program account.

Annual expendable scholarships, those given to be expended in the current year, are exempt from the 4% transaction fee. Donors to annual expendable scholarships will be

asked to include an additional 4% to their donation for the purpose of covering costs incurred by the Foundation in the administration of their scholarship.

Special program and equipment accounts are campus program accounts established to facilitate short term special programs or to purchase equipment only, and generally have few expenses. Administrative fees will be determined by the Vice President, Institutional Advancement on a case-by-case basis for special program accounts within the range of 4% to 8%, to be assessed based upon expenses.

#### **Endowment Accounts**

Endowment accounts are those accounts whose funds are restricted for expenditure either internally or externally by contractual obligation and are administered pursuant to the Foundation's Endowment and Investment Policies.

First time endowments are assessed a 3% fee upon arrival, then endowment funds are invested by the Foundation. The Foundation will assess an annualized endowment management fee of 1.5% calculated at the time the distribution is taken.

#### **Trusts and Planned**

Trustee's fees for investment portfolios managed by the MiraCosta College Foundation will be calculated on market value of the trust assets. An annual fee of 1.5% will be distributed to the MiraCosta College Foundation on January 1, based on the market value of the trust as of that date.

When the Foundation, as trustee or executor of a trust or will, is required to perform extraordinary services upon the death of a trustor/trustee or beneficiary, an additional fee of one percent 1% will be assessed on the market value of the trust assets to offset the cost of extra services.

All planned gifts received by the Foundation will be subject to a 5% gift fee.

#### **Real Property Gifts**

A fee is charged for acceptance, sale and/or management of real property. The amount and type of fee is based on the circumstances of each property gift. The fee structure is similar to those of banks and trust companies providing services for the general public.

Supplemental fees are applicable where the Foundation is involved in toxic waste matters, repair/improvement supervision, prolonged negotiations, litigation, condemnation proceedings and any other consulting services. Hourly rates for the Vice President, Institutional Advancement and all other Foundation employees will be applied at prevailing hourly rate. Actual costs for required outside professional services are charged directly to the project based on actual services performed.

#### **Capital Gifts**

Direct costs for Foundation services will be included in the Capital Project.

#### **Grants**

**MiraCosta College Foundation: Administrative Costs Recovery Policy**

Page 3 of 3

Requests for fees will be added to grant proposals unless specifically disallowed by the granting foundation, fund or corporation. Unless otherwise stated by the funder and where permitted, all grants will be assessed a 4% fee upon receipt of the grant in order to pay for administrative overhead related to processes associated with grant writing, stewardship, and reporting. Grants given directly to college departments will not be assessed a grant fee by the Foundation.

**Gifts - Other**

Gifts other than cash or securities that require extraordinary services will be analyzed on a case-by-case basis and may be subject to supplemental fees in order to recover from the cost of acceptance, sale, and/or management of such gifts. In such cases, the Vice President, Institutional Advancement will seek approval from the Finance/Operations Committee to assess supplemental fees.

**Exclusions**

This policy does not apply to grant and contract accounts or internal transfers from accounts which have already met other administrative fee or overhead recovery requirements.

**Donor Notification**

Donors will receive credit for the full amount of their gifts. Gift receipts and stewardship reports will inform the donor that a portion of the gift received has been allocated to cover the cost of fundraising/administrative costs of the Foundation.

*The Foundation will review the policy every two years.*

Admin Costs Recovery – Approved by Foundation Board 08.27.2024

[Foundation Board Manual](#)

# MiraCosta College Foundation

**February 3, 2025**

A business of Marsh McLennan



1. Executive Summary
2. Performance Summary
3. Year-In-Review
4. Higher Education Price Index (HEPI)

# Contents

# Executive Summary

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# Executive Summary

**Asset Allocation (S/B):** Endowment 75.5/24.5; Excess Reserve: 49.9/50.1; Title V: 74.5/25.5

**Cash Flows:** Endowment: 11.7.24 \$46,313.17 redemption; Excess Reserve: 11.18.24 \$482,796.89 redemption; Title V: 11.7.24 \$254,436.06 purchase

## **Equity Performance Summary:**

After a modest decline of 0.9% in October, the S&P 500 experienced its best month of the year in November (+5.4%), followed by a December dip of 2.6%. For Q4 the S&P 500 rose 2.4% (+23.3% in 2024, notching 57 record closes marking the 2<sup>nd</sup> consecutive year of 20%+ returns, which has only happened 10 times since 1871). The broad markets experienced a post-election bump in November which faded in December. Market participants digested the impact of new fiscal, trade, and monetary policy (e.g., lowered expectations for 2025 rate cuts)

<i>Region:</i>	U.S. Stocks (+2.6% Q4 and +23.8% 2024) bested Non-U.S. Stocks (-7.5% Q4 and +5.4% 2024). EM (-6.4% Q4 and 11.6% 2024) bested Developed ex U.S. (-7.9% Q4 and 3.4% 2024)
<i>Sectors:</i>	After a November which saw every U.S. Sector in the green, December proved to be a rough month for all U.S. sectors with Consumer Discretionary being the only one to manage a gain (0.4%). Notably, Materials (-11% December) ended 2024 as the only sector in the red (-1.12%)
<i>Size:</i>	U.S. Large (3.2% Q4 and 27.2% 2024) bested U.S. Small (1.7% Q4 and 14.2% 2024)
<i>Style:</i>	Value (-1.9%) lagged Growth (+6.8%) in Q4 and in 2024 (+14% versus 32.5%)
<i>Valuation:</i>	S&P 500 ended 2024 at 21.5 Forward P/E versus 16.9x (30-year average) Top 10: 29.8x versus 20.6x (30-year average) S&P 500 minus top 10: 18.2x versus 15.7x (30-year average) US Value: 16.2x versus 14.2x (26-year average) ACWI ex. U.S.: 13.3x versus 13.1x (20-year average)
<i>Currency:</i>	USD Index increased 7.1% in 2024, resulting in significant headwinds for U.S. market participants investing in non-U.S. stocks MSCI EAFE USD +3.8% versus MSCI EAFE local +11.3% MSCI EM USD +7.5% versus +13.1% local

# Executive Summary (cont.)

## **Fixed Income Performance Summary:**

The Treasury yield curve inverted on 10.25.22 between the 3 mo. and 10-yr. It normalized on 12.13.24, approximately 2 months after the 2-yr and 10-yr did in October. Corporate spreads ended the year at historically narrow territory. In Q4 Treasury yields increased significantly between the 2 and 30-year with investors absorbing the potential new administrations policy impact to inflationary pressures:

*Yields:* 3Mo: 4.32% (-.29%); 2Yr: 4.25% (+.60%); 5Yr: 4.38% (+.82%); 10Yr: 4.57% (+.79%); 30Yr: 4.79% (+.66%)

*U.S. Bonds:* -3.3% Q4 (+1.2% 2024)

*Non-U.S. Bonds:* +0.2% Q4 (3.4% 2024)

## **Key Economic Highlights:**

*Monetary:* After reducing rates for the first time since 2020 by 50 bps in September, the FED reduced rates an additional 25 bps in both November and December (4.25-4.5%) and shifted policy to less cuts in 2025 (~2 cuts)

*Inflation:* Headline CPI in December increased 2.9% YoY, driven by 4.4% increase in gas prices (3.2% core). Headline PCE in November increased 2.4% YoY (2.8% core)

*GDP:* Q1: 1.4% Q2: 3.0% Q3: 3.1% Q4: 2.7% Atlanta Fed estimate (2025 GDP forecasts range between 2-2.5%)

*Jobs:* The U.S. economy added jobs for the 48<sup>th</sup> straight month. The U.S. economy added 2.2M jobs in 2024, more than double the number expected by economists heading into the year

Roughly 75% of hiring took place in 3 sectors: healthcare and social assistance, leisure and hospitality, and government

December UE ticked down to 4.1% (4.2% in November) as the economy added 256,000 jobs with wage growth declining to 3.9% (inline with 50-year average)

Jobless claims dropped to an 8-month low to end 2024. Slow hiring and slow firing may be the trend until businesses get a sense of how the new administration's policies will affect the economy

*Earnings Growth:* Q1: 8%; Q2: 12.9%; Q3: 5.8%; Q4: 11.9% estimate with 2024 expected growth of 9.5%. The estimated YoY earnings growth rate for the S&P 500 is 11.9%

# Performance Summary



# Portfolio quarterly valuation

## MiraCosta College Foundation

As of December 31, 2024

	31-Dec-23	31-Mar-24	30-Jun-24	30-Sep-24	31-Dec-24
Endowment	14,444,705	14,576,317	15,122,700	16,072,576	15,878,124
Excess Reserve	4,030,605	4,180,094	4,227,067	4,475,032	3,925,407
Reserve Fund	1,042,182	1,053,300	1,065,906	1,088,663	1,098,476
Title V Grant Endowment	228,503	241,583	245,642	261,251	506,211
<b>Total</b>	<b>19,745,995</b>	<b>20,051,294</b>	<b>20,661,315</b>	<b>21,897,522</b>	<b>21,408,218</b>

Endowment:

3.27.24: \$707,029.13 redemption  
 4.15.24: \$38,570.45 purchase  
 6.6.24: \$264,674.36 purchase  
 11.7.24: \$46,313.17 redemption

Excess Reserve

11.18.24: \$482,796.89 redemption

Title V Grant

11.7.24: \$254,436.06 purchase



## Performance summary

<u>Endowment</u>	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	-2.50	-1.43	12.93	12.93	3.41	7.81	7.73	7.97	01/31/14
Client portfolio (net)	-2.50	-1.49	12.64	12.64	3.16	7.57	7.46	7.71	01/31/14
Policy benchmark	-2.28	-1.60	12.60	12.60	3.47	7.66	7.69	7.95	01/31/14
<u>Excess Reserve Portfolio</u>	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	-2.11	-1.53	9.53	9.53	1.89	4.89	-	6.25	03/31/16
Client portfolio (net)	-2.11	-1.60	9.25	9.25	1.63	4.66	-	6.00	03/31/16
Policy benchmark	-1.95	-1.74	9.01	9.01	1.77	4.81	-	6.11	03/31/16
<u>Reserve Portfolio</u>	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	0.43	0.96	5.66	5.66	-	-	-	5.65	03/31/23
Client portfolio (net)	0.43	0.90	5.40	5.40	-	-	-	5.39	03/31/23
Policy benchmark	0.51	0.93	5.03	5.03	-	-	-	5.04	03/31/23
<u>Title V Grant Endowment</u>	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
Client portfolio (gross)	-2.48	-1.41	12.86	12.86	-	-	-	12.86	12/31/23
Client portfolio (net)	-2.48	-1.48	12.64	12.64	-	-	-	12.64	12/31/23
Policy benchmark	-2.28	-1.60	12.60	12.60	-	-	-	12.60	12/31/23

**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.**

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# Performance summary

## Miracosta College Foundation - Endowment Portfolio

For the periods ended December 31, 2024

	Mkt value (\$)	% of portfolio	Policy benchmark	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
<b>Client portfolio (gross)</b>	15,878,124	100.0	100.0	-2.50	-1.43	12.93	12.93	3.41	7.81	7.73	7.97	01/31/14
<b>Client portfolio (net)</b>				-2.50	-1.49	12.64	12.64	3.16	7.57	7.46	7.71	01/31/14
<b>Policy benchmark</b>				-2.28	-1.60	12.60	12.60	3.47	7.66	7.69	7.95	01/31/14
<b>■ Equity</b>	<b>11,986,518</b>	<b>75.5</b>	<b>75.0</b>	<b>-2.87</b>	<b>-1.28</b>	<b>16.40</b>	<b>16.40</b>	<b>5.05</b>	<b>10.06</b>	<b>9.54</b>	<b>9.81</b>	<b>01/31/14</b>
Equity - Policy benchmark				-2.60	-1.46	16.27	16.27	5.12	10.06	9.54	9.79	01/31/14
• <b>Domestic Equity</b>	<b>7,607,415</b>	<b>47.9</b>	<b>45.0</b>	<b>-3.03</b>	<b>2.63</b>	<b>23.75</b>	<b>23.75</b>	<b>7.87</b>	<b>13.81</b>	<b>12.50</b>	<b>12.93</b>	<b>01/31/14</b>
• <b>International Equity</b>	<b>4,379,103</b>	<b>27.6</b>	<b>30.0</b>	<b>-2.58</b>	<b>-7.40</b>	<b>5.19</b>	<b>5.19</b>	<b>0.69</b>	<b>4.30</b>	<b>5.08</b>	<b>4.70</b>	<b>01/31/14</b>
<b>■ Fixed Income</b>	<b>3,891,606</b>	<b>24.5</b>	<b>25.0</b>	<b>-1.35</b>	<b>-1.92</b>	<b>2.52</b>	<b>2.52</b>	<b>-1.44</b>	<b>0.22</b>	<b>1.85</b>	<b>2.09</b>	<b>01/31/14</b>
Fixed Income - Policy benchmark				-1.31	-2.04	2.07	2.07	-1.81	-0.12	1.60	1.92	01/31/14
• <b>Domestic Fixed Income</b>	<b>2,713,462</b>	<b>17.1</b>	<b>17.5</b>	<b>-1.67</b>	<b>-2.77</b>	<b>2.00</b>	<b>2.00</b>	<b>-1.81</b>	<b>0.28</b>	<b>1.82</b>	<b>2.00</b>	<b>01/31/14</b>
• <b>International Fixed Income</b>	<b>1,178,144</b>	<b>7.4</b>	<b>7.5</b>	<b>-0.62</b>	<b>0.11</b>	<b>3.72</b>	<b>3.72</b>	<b>-0.59</b>	<b>0.08</b>	<b>1.90</b>	<b>2.39</b>	<b>01/31/14</b>

**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.**

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# Performance summary

## Miracosta College Foundation- Title V Grant Endowment

For the periods ended December 31, 2024

	Mkt value (\$)	% of portfolio	Policy benchmark	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
<b>Client portfolio (gross)</b>	506,211	100.0	100.0	-2.48	-1.41	12.86	12.86	-	-	-	12.86	12/31/23
<b>Client portfolio (net)</b>				-2.48	-1.48	12.64	12.64	-	-	-	12.64	12/31/23
<b>Policy benchmark</b>				-2.28	-1.60	12.60	12.60	-	-	-	12.60	12/31/23
<b>■ Equity</b>	<b>377,342</b>	<b>74.5</b>	<b>75.0</b>	<b>-2.85</b>	<b>-1.37</b>	<b>16.14</b>	<b>16.14</b>	-	-	-	<b>16.14</b>	<b>12/31/23</b>
Equity - Policy benchmark				-2.60	-1.46	16.27	16.27	-	-	-	16.27	12/31/23
• <b>Domestic Equity</b>	<b>229,147</b>	<b>45.3</b>	<b>45.0</b>	<b>-3.03</b>	<b>2.31</b>	<b>23.37</b>	<b>23.37</b>	-	-	-	<b>23.37</b>	<b>12/31/23</b>
• <b>International Equity</b>	<b>148,195</b>	<b>29.3</b>	<b>30.0</b>	<b>-2.58</b>	<b>-8.07</b>	<b>4.42</b>	<b>4.42</b>	-	-	-	<b>4.42</b>	<b>12/31/23</b>
<b>■ Fixed Income</b>	<b>128,869</b>	<b>25.5</b>	<b>25.0</b>	<b>-1.35</b>	<b>-1.91</b>	<b>2.52</b>	<b>2.52</b>	-	-	-	<b>2.52</b>	<b>12/31/23</b>
Fixed Income - Policy benchmark				-1.31	-2.04	2.07	2.07	-	-	-	2.07	12/31/23
• <b>Domestic Fixed Income</b>	<b>89,820</b>	<b>17.7</b>	<b>17.5</b>	<b>-1.67</b>	<b>-2.77</b>	<b>2.01</b>	<b>2.01</b>	-	-	-	<b>2.01</b>	<b>12/31/23</b>
• <b>International Fixed Income</b>	<b>39,049</b>	<b>7.7</b>	<b>7.5</b>	<b>-0.62</b>	<b>0.11</b>	<b>3.72</b>	<b>3.72</b>	-	-	-	<b>3.72</b>	<b>12/31/23</b>

**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.**

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# Performance summary

## Miracosta College Foundation - Excess Reserve Portfolio

For the periods ended December 31, 2024

	Mkt value (\$)	% of portfolio	Policy benchmark	1 mo (%)	3 mo (%)	YTD (%)	1 yr (%)	3 yrs (%)	5 yrs (%)	10 yrs (%)	Since inception	Inception date
<b>Client portfolio (gross)</b>	3,925,407	100.0	100.0	-2.11	-1.53	9.53	9.53	1.89	4.89	-	6.25	03/31/16
<b>Client portfolio (net)</b>				-2.11	-1.60	9.25	9.25	1.63	4.66	-	6.00	03/31/16
<b>Policy benchmark</b>				-1.95	-1.74	9.01	9.01	1.77	4.81	-	6.11	03/31/16
<b>■ Equity</b>	<b>1,960,334</b>	<b>49.9</b>	<b>50.0</b>	<b>-2.85</b>	<b>-1.24</b>	<b>16.35</b>	<b>16.35</b>	<b>5.05</b>	<b>9.16</b>	<b>-</b>	<b>10.55</b>	<b>03/31/16</b>
Equity - Policy benchmark				-2.60	-1.46	16.27	16.27	5.12	9.40	-	10.60	03/31/16
• <b>Domestic Equity</b>	<b>1,179,723</b>	<b>30.1</b>	<b>30.0</b>	<b>-3.03</b>	<b>2.63</b>	<b>23.75</b>	<b>23.75</b>	<b>7.91</b>	<b>13.84</b>	<b>-</b>	<b>14.25</b>	<b>03/31/16</b>
• <b>International Equity</b>	<b>780,611</b>	<b>19.9</b>	<b>20.0</b>	<b>-2.58</b>	<b>-7.40</b>	<b>5.19</b>	<b>5.19</b>	<b>0.75</b>	<b>4.40</b>	<b>-</b>	<b>6.43</b>	<b>03/31/16</b>
<b>■ Fixed Income</b>	<b>1,965,073</b>	<b>50.1</b>	<b>50.0</b>	<b>-1.36</b>	<b>-1.92</b>	<b>2.50</b>	<b>2.50</b>	<b>-1.44</b>	<b>0.23</b>	<b>-</b>	<b>1.65</b>	<b>03/31/16</b>
Fixed Income - Policy benchmark				-1.31	-2.04	2.07	2.07	-1.81	-0.12	-	1.38	03/31/16
• <b>Domestic Fixed Income</b>	<b>1,373,653</b>	<b>35.0</b>	<b>35.0</b>	<b>-1.67</b>	<b>-2.79</b>	<b>1.98</b>	<b>1.98</b>	<b>-1.80</b>	<b>0.28</b>	<b>-</b>	<b>1.64</b>	<b>03/31/16</b>
• <b>International Fixed Income</b>	<b>591,420</b>	<b>15.1</b>	<b>15.0</b>	<b>-0.62</b>	<b>0.11</b>	<b>3.72</b>	<b>3.72</b>	<b>-0.75</b>	<b>-0.02</b>	<b>-</b>	<b>1.60</b>	<b>03/31/16</b>

**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.**

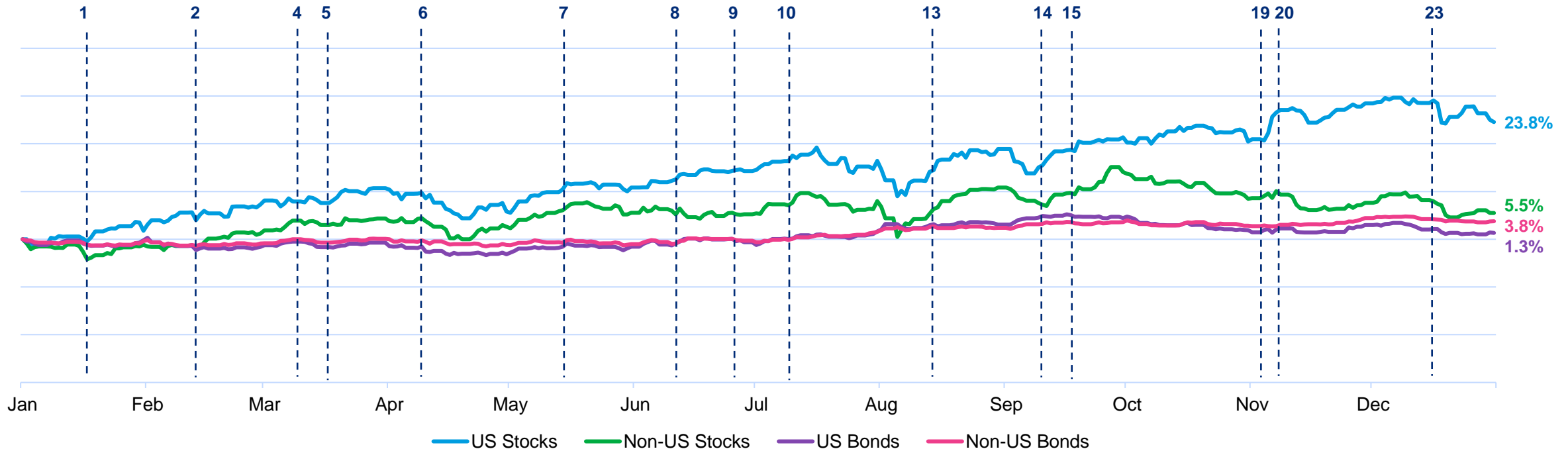
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# Year-In-Review

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# 3

# 2024 Performance and notable events

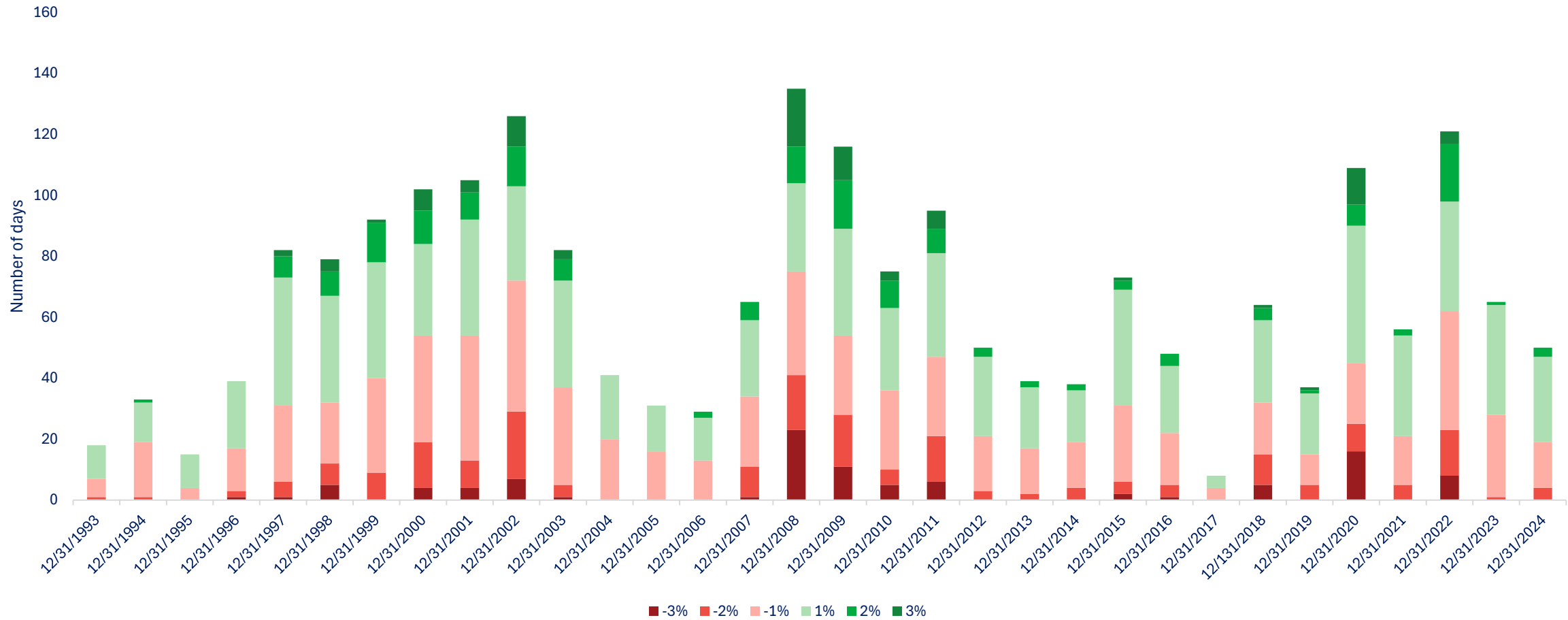


- |                                                               |                                                     |                                                     |
|---------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| 1) December inflation announced 3.4% (1/11)                   | 9) GDP increased at an annual rate of 1.6% (6/27)   | 17) Hurricane Helene hits the Southeast (9/27)      |
| 2) January inflation announced 3.1% (2/13)                    | 10) June inflation announced 3.0% (7/11)            | 18) September inflation announced 2.4% (10/10)      |
| 3) 2-Year Anniversary of Russia-Ukraine War (2/24)            | 11) Donald Trump assassination attempt (7/13)       | 19) Donald Trump Re-elected President (11/5)        |
| 4) February inflation announced 3.2% (3/12)                   | 12) Kamala Harris becomes Democratic Nominee (7/21) | 20) Fed cut interest rates by 25 bps (11/7)         |
| 5) Bank of Japan raises rates to a range of 0% to 0.1% (3/19) | 13) July inflation announced 2.9% (8/14)            | 21) October inflation announced 2.6% (11/13)        |
| 6) March inflation announced 3.5% (4/10)                      | 14) August inflation announced 2.5% (9/11)          | 22) November inflation announced 2.7% (12/11)       |
| 7) April inflation announced 3.4% (5/15)                      | 15) Fed cut interest rates by 50 bps (9/18)         | 23) Fed cut interest rates by 25 bps (12/18)        |
| 8) May inflation announced 3.3% (6/12)                        | 16) GDP increased at an annual rate of 3.0% (9/26)  | 24) GDP increased at an annual rate of 3.1% (12/19) |

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: Mercer. Data based on daily returns from 12/31/2023 - 12/31/2024. 2024 Total Returns in parentheses. Note: Inflation represents the 12-month percentage change to the Headline Consumer Price Index (CPI) as reported by the U.S. Bureau of Labor Statistics. US Stocks (CRSP US Total Market), Non-US Stocks (FTSE Global All-Cap ex-US), US Bonds (Barclays US Aggregate Float-adjusted Bond Index), Non-US Bonds (Bloomberg Global Aggregate ex-USD Float Adjusted RIC Cap Hedged).

# Number of days that the market has moved above/below a threshold



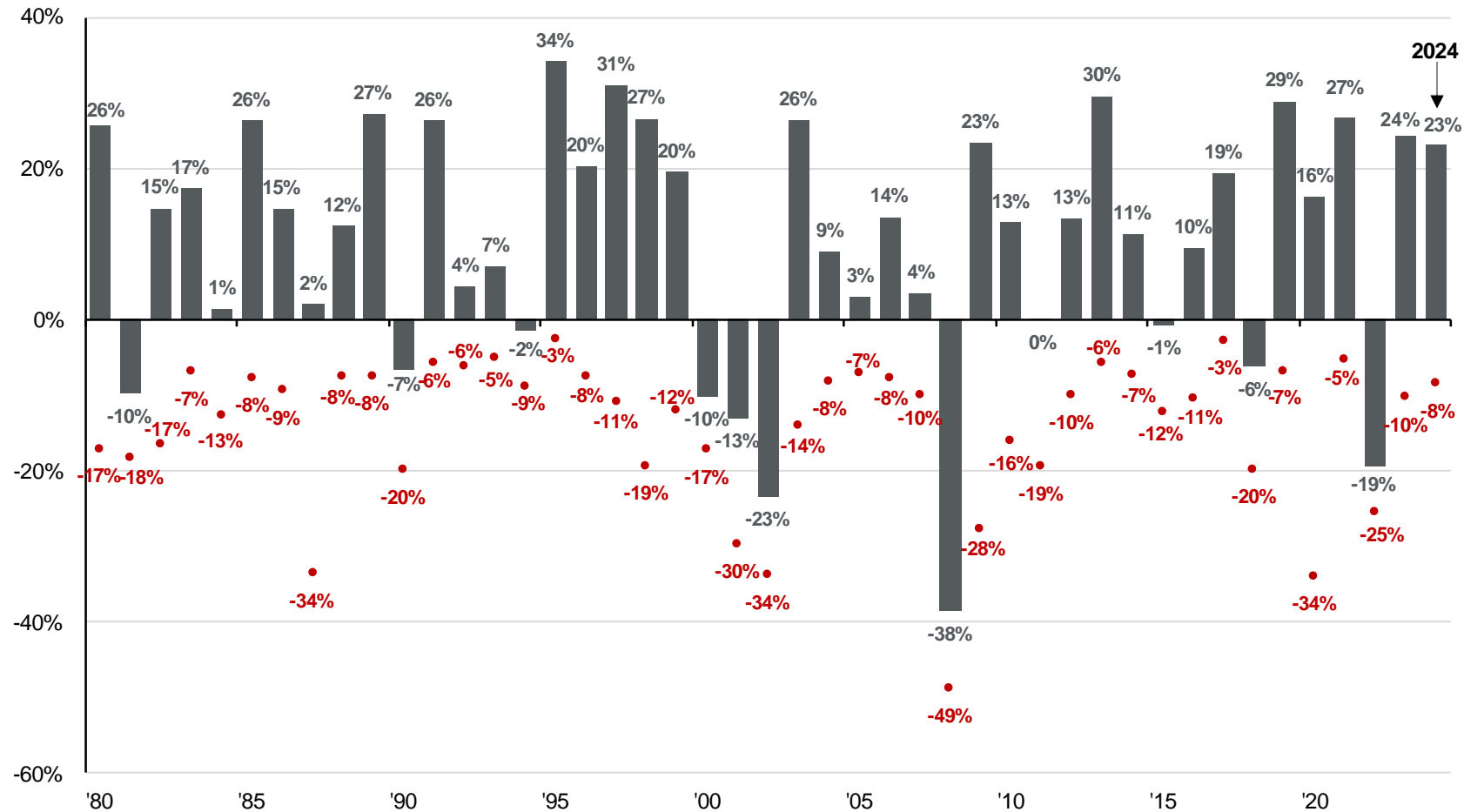
Source: FactSet. Data as of December 31, 2024

Notes: The market is represented by the S&P 500 index fund. It is not possible to invest directly in an index. Past performance is not a guarantee of future performance.

# Annual Returns and Intra-Year Declines

## S&P intra-year declines vs. calendar year returns

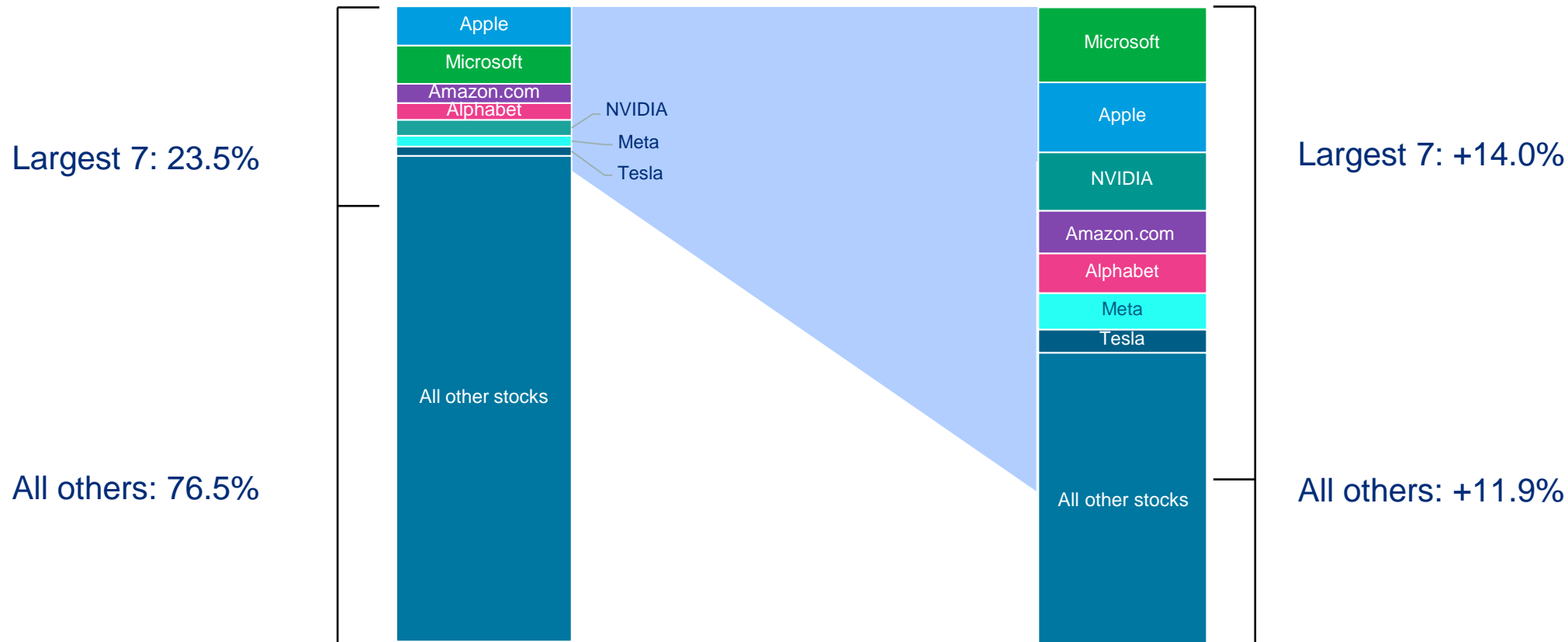
Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.  
 Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which time period the average annual return was 10.6%.  
 Guide to the Markets – U.S. Data are as of December 31, 2024.

# Magnificent seven contributes to 54% of the Total Stock Market Index Fund return in 2023

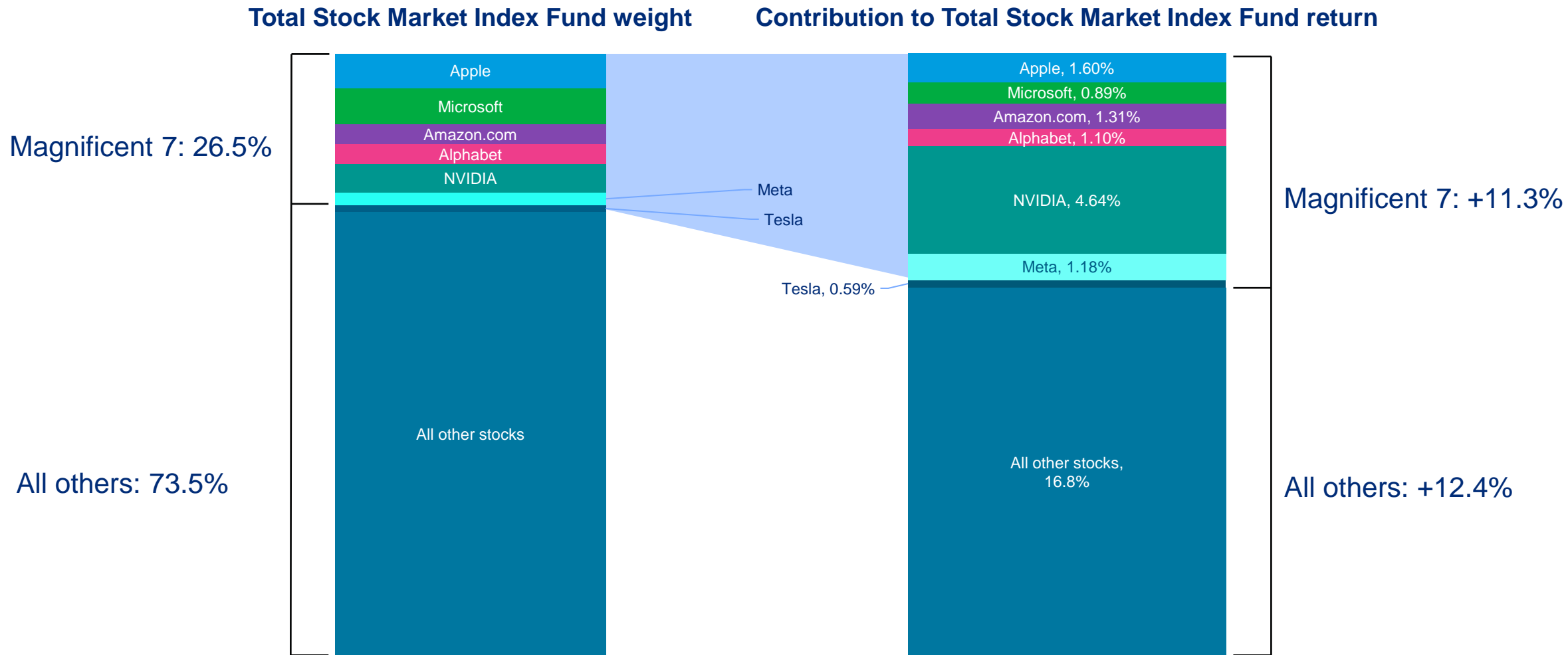
Total Stock Market Index Fund ending weight Contribution to Total Stock Market Index Fund return



Source: FactSet as of 12/31/2023.

The performance data shown represent past performance, which is not a guarantee of future results.

# Magnificent Seven contributed 47.7% of the Total Stock Market Index Fund return in 2024

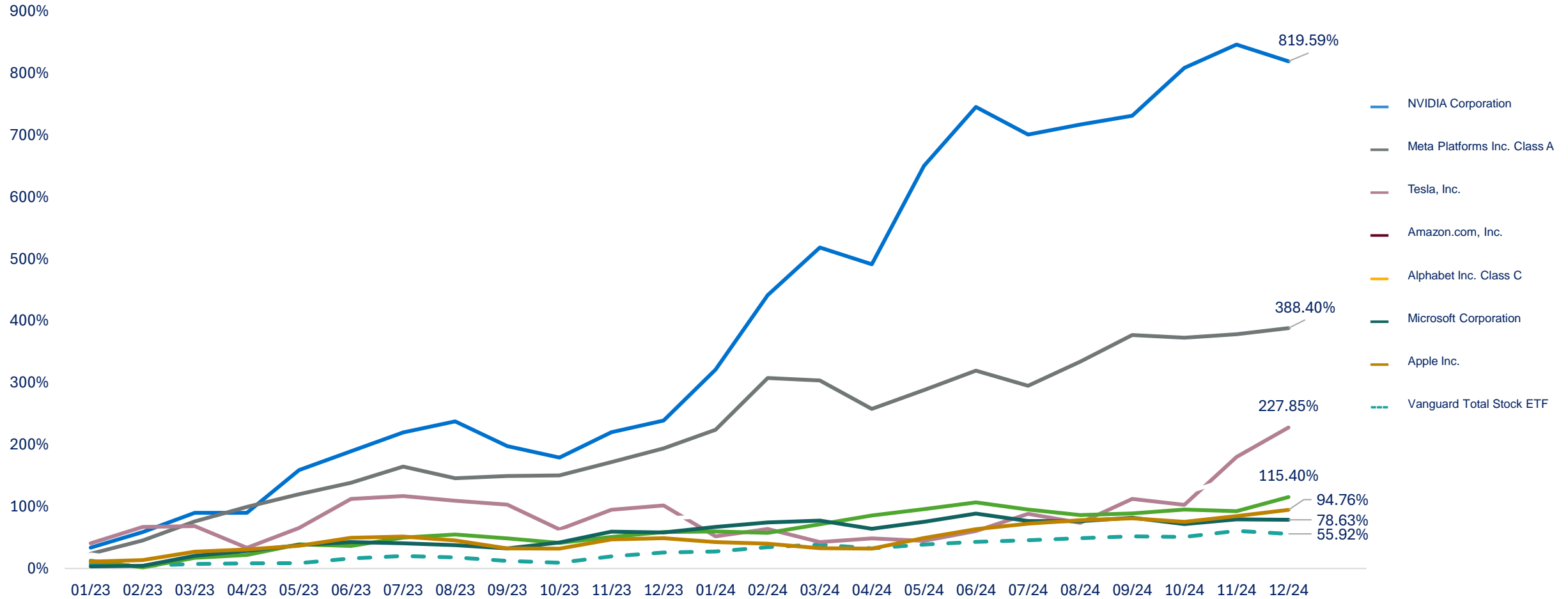


Source: FactSet as of 12/31/2024.

The performance data shown represent past performance, which is not a guarantee of future results.

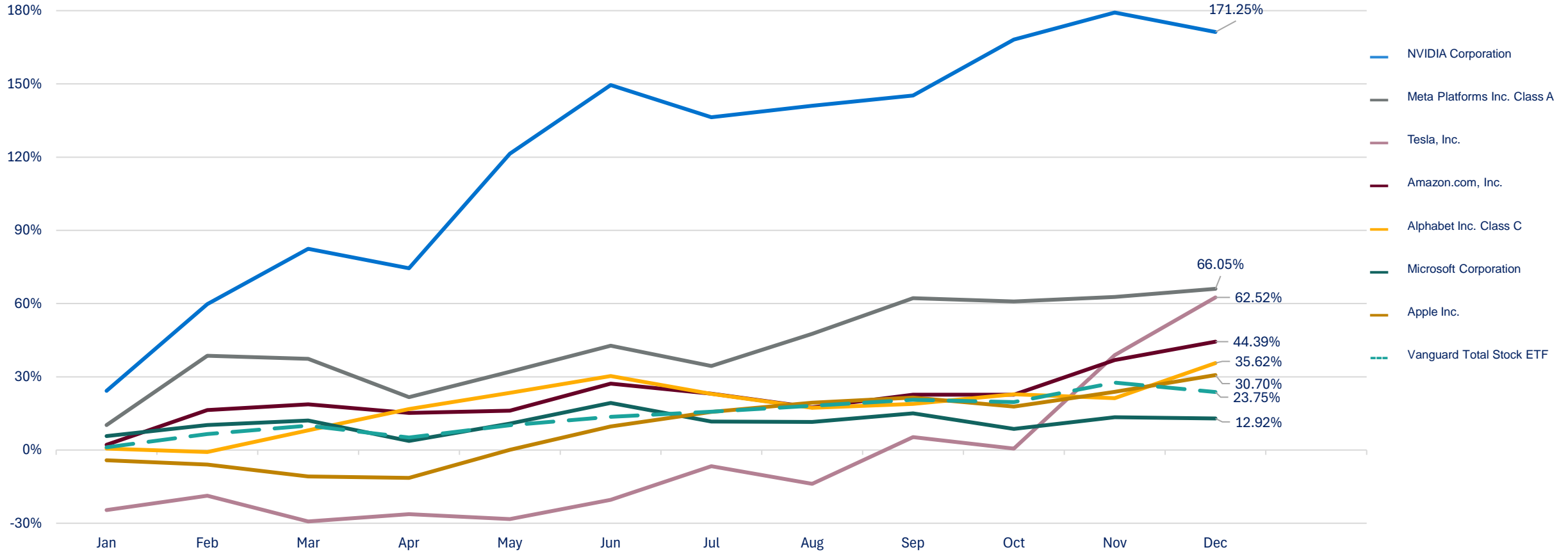


# A.I. boom – Mag 7 drives growth over the last two years



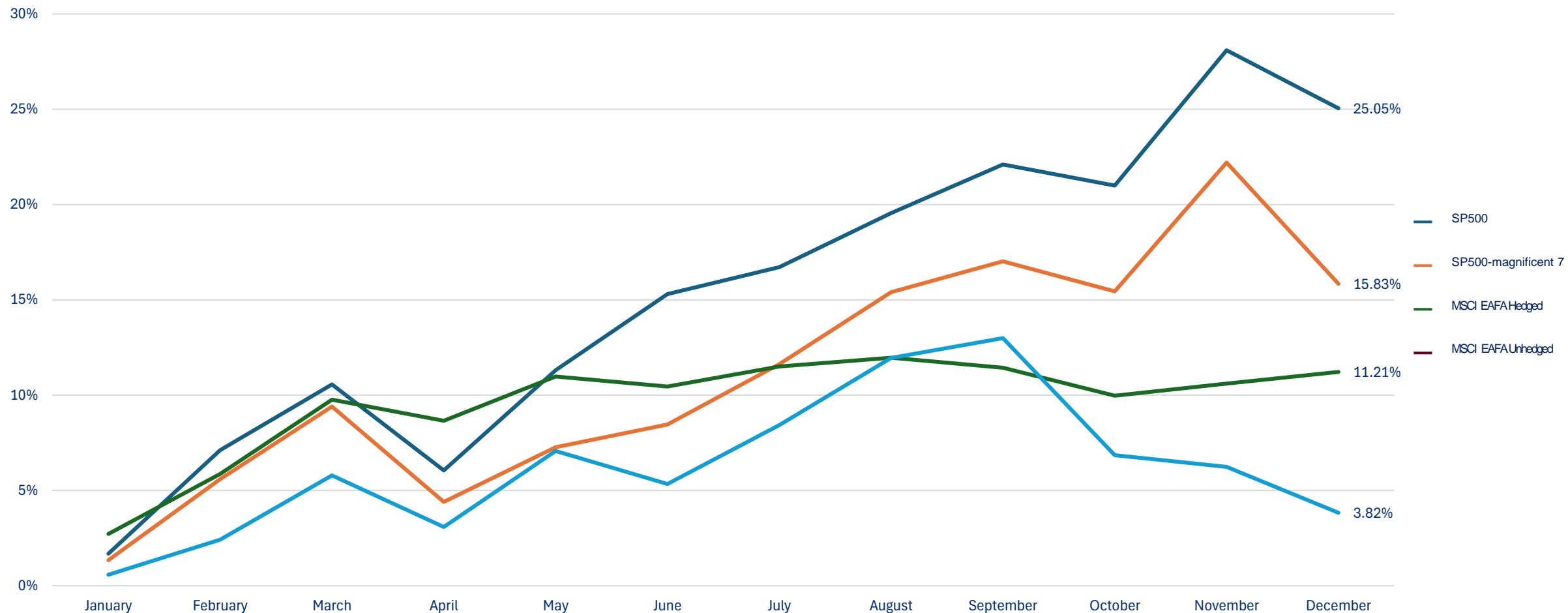
Source: Factset. Data as of December 31, 2024. Past performance is not a guarantee of future performance.

# A.I. boom continues through 2024



Source: Factset. Data as of December 31, 2024. Past performance is not a guarantee of future performance.

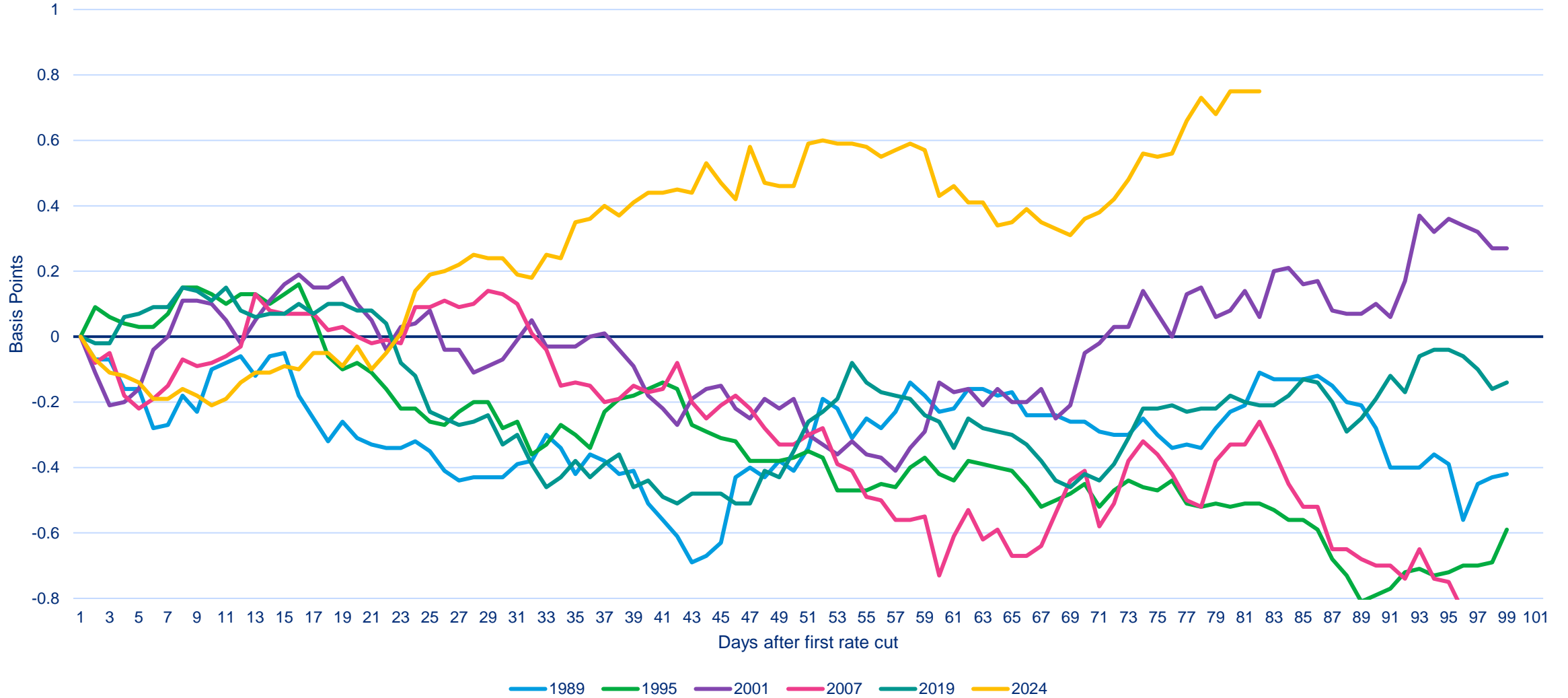
# Developed markets underperformance is largely explained by the Mag 7 and a strong dollar



Source: Factset. Data as of December 31, 2024. Past performance is not a guarantee of future performance.

# 10-year treasury yields after the initial Fed rate cut

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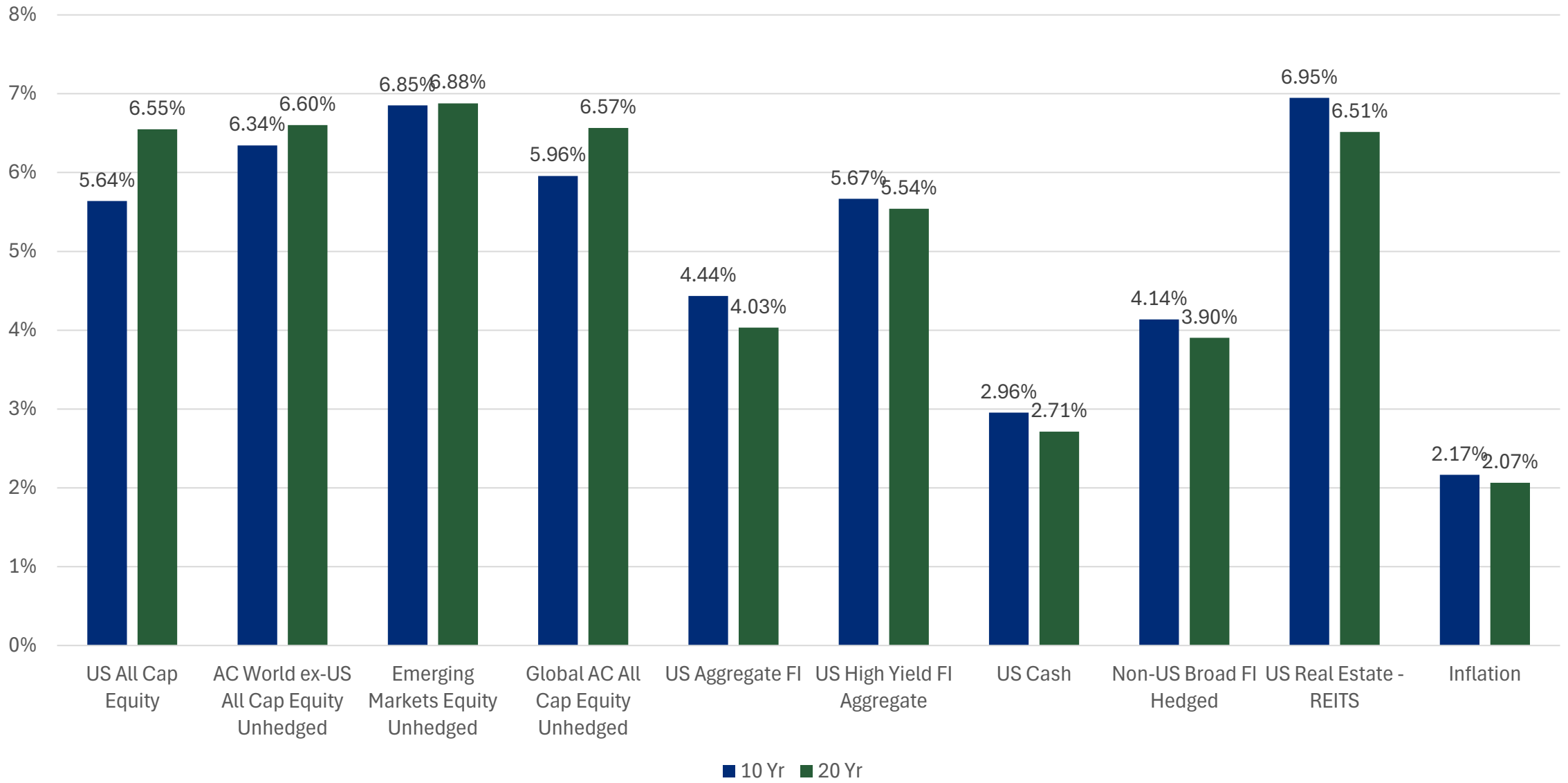
# Periodic table of returns

## Global market returns as of December 31, 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Quilt Legend	
US REITS 27.1	US REITS 2.8	Small Cap Core Equity 21.3	Emerging Markets Equity 37.3	Treasury Bonds 0.9	Large Cap Core Equity 31.5	Small Cap Core Equity 20.0	US REITS 41.3	Commodity 16.1	Large Cap Core Equity 26.3	Large Cap Core Equity 25.0	Large Cap Core Equity	S&P 500
Large Cap Core Equity 13.7	Large Cap Core Equity 1.4	High Yield Bonds 17.1	Developed Intl Equity 25.0	Aggregate Bonds 0.0	Mid Cap Core equity 30.5	Large Cap Core Equity 18.4	Large Cap Core Equity 28.7	High Yield Bonds -11.2	Global Equity 22.2	Global Equity 18.7	Mid Cap Core equity	Russell Midcap
Mid Cap Core equity 13.2	Blended 60/40 1.1	Mid Cap Core equity 13.8	Global Equity 24.0	High Yield Bonds -2.1	US REITS 28.7	Emerging Markets Equity 18.3	Commodity 27.1	Treasury Bonds -12.5	Developed Intl Equity 18.2	Blended 60/40 15.5	Small Cap Core Equity	Russell 2000
Blended 60/40 10.6	Treasury Bonds 0.8	Large Cap Core Equity 12.0	Large Cap Core Equity 21.8	Blended 60/40 -2.6	Global Equity 26.6	Mid Cap Core equity 17.1	Mid Cap Core equity 22.6	Aggregate Bonds -13.0	Blended 60/40 18.0	Mid Cap Core equity 15.3	US REITS	FTSE Nareit All REITS
Aggregate Bonds 6.0	Aggregate Bonds 0.5	Commodity 11.8	Mid Cap Core equity 18.5	US REITS -4.0	Small Cap Core Equity 25.5	Global Equity 16.3	Global Equity 18.5	Developed Intl Equity -14.5	Mid Cap Core equity 17.2	Small Cap Core Equity 11.5	Developed Intl Equity	MSCI EAFE
Treasury Bonds 5.1	Developed Intl Equity -0.8	Emerging Markets Equity 11.2	Small Cap Core Equity 14.6	Large Cap Core Equity -4.4	Blended 60/40 22.4	Blended 60/40 14.0	Blended 60/40 16.6	Blended 60/40 -16.1	Small Cap Core Equity 16.9	High Yield Bonds 8.2	High Yield Bonds	Bloomberg US High Yield
Small Cap Core Equity 4.9	Mid Cap Core equity -2.4	US REITS 8.6	Blended 60/40 14.5	Mid Cap Core equity -9.1	Developed Intl Equity 22.0	Treasury Bonds 8.0	Small Cap Core Equity 14.8	Mid Cap Core equity -17.3	High Yield Bonds 13.4	Emerging Markets Equity 7.5	Emerging Markets Equity	MSCI EM (Emerging Markets)
Global Equity 4.2	Global Equity -2.4	Blended 60/40 8.2	US REITS 8.7	Global Equity -9.4	Emerging Markets Equity 18.4	Developed Intl Equity 7.8	Developed Intl Equity 11.3	Large Cap Core Equity -18.1	US REITS 11.4	Commodity 5.4	Aggregate Bonds	Bloomberg US Aggregate
High Yield Bonds 2.5	Small Cap Core Equity -4.4	Global Equity 7.9	High Yield Bonds 7.5	Small Cap Core Equity -11.0	High Yield Bonds 14.3	Aggregate Bonds 7.5	High Yield Bonds 5.3	Global Equity -18.4	Emerging Markets Equity 9.8	US REITS 4.3	Treasury Bonds	Bloomberg US Treasury
Emerging Markets Equity -2.2	High Yield Bonds -4.5	Aggregate Bonds 2.6	Aggregate Bonds 3.5	Commodity -11.3	Aggregate Bonds 8.7	High Yield Bonds 7.1	Aggregate Bonds -1.5	Emerging Markets Equity -20.1	Aggregate Bonds 5.5	Developed Intl Equity 3.8	Commodity	Bloomberg Commodity Index
Developed Intl Equity -4.9	Emerging Markets Equity -14.9	Treasury Bonds 1.0	Treasury Bonds 2.3	Developed Intl Equity -13.8	Commodity 7.7	Commodity -3.1	Treasury Bonds -2.3	Small Cap Core Equity -20.4	Treasury Bonds 4.1	Aggregate Bonds 1.3	Global Equity	MSCI AC World
Commodity -17.0	Commodity -24.7	Developed Intl Equity 1.0	Commodity 1.7	Emerging Markets Equity -14.6	Treasury Bonds 6.9	US REITS -5.1	Emerging Markets Equity -2.5	US REITS -24.9	Commodity -7.9	Treasury Bonds 0.6	Blended 60/40	60% S&P 500 40% Bloomberg Agg

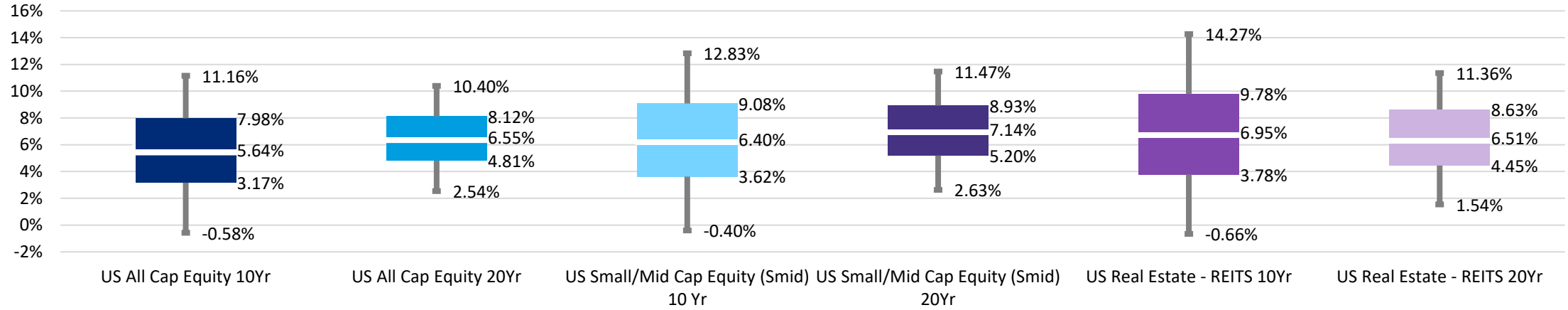
Analysis; as of December 31,2024

# Nominal 10-year vs 20-year assumptions

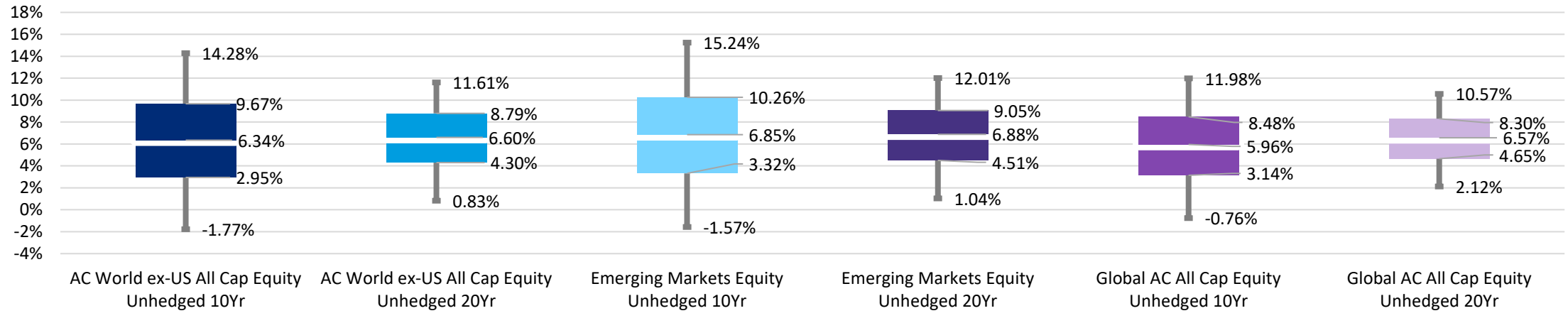


# 10- and 20-year estimates - Equities

## US Equities

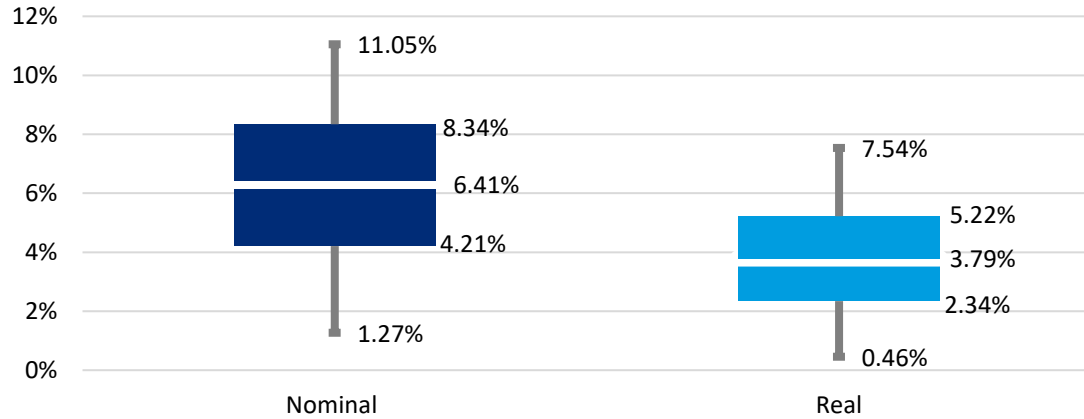


## Global Equities

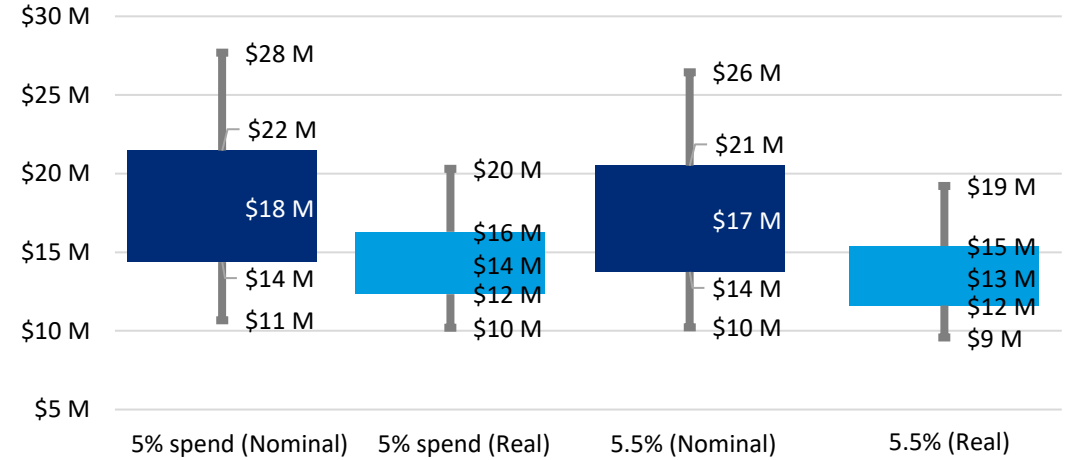


# Portfolio Analytics – 10 year forward looking

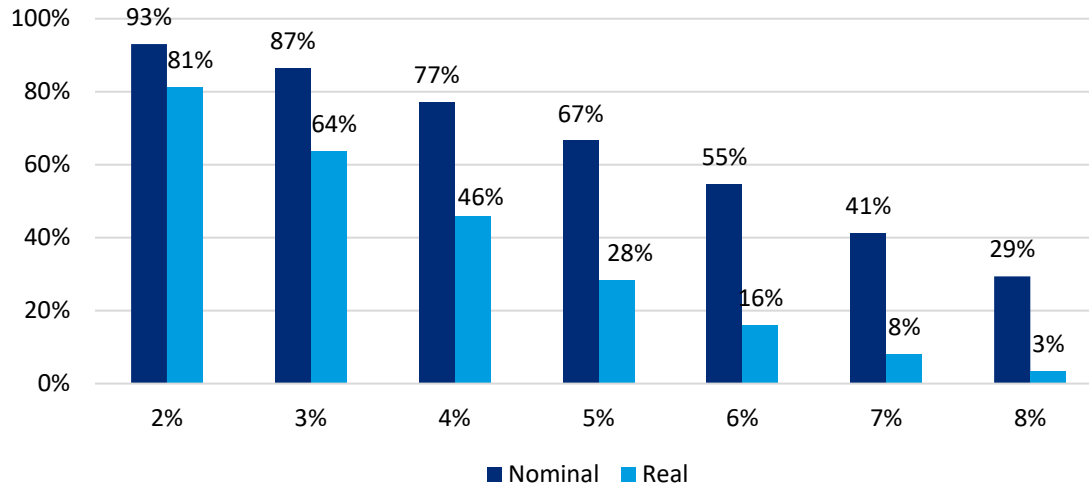
Distribution of annualized returns



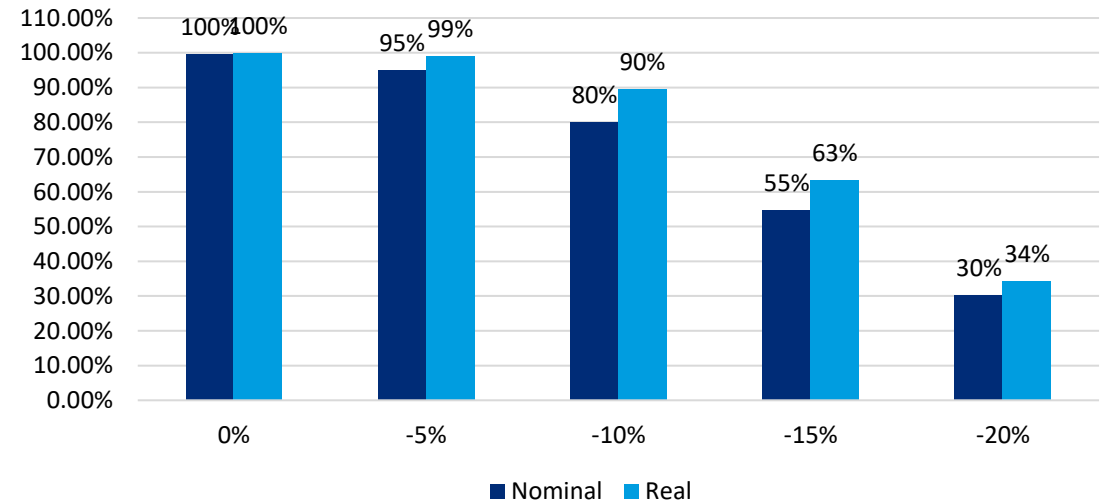
Distribution of ending balances



Probability of return exceeding:



Probability of negative return in any one year:

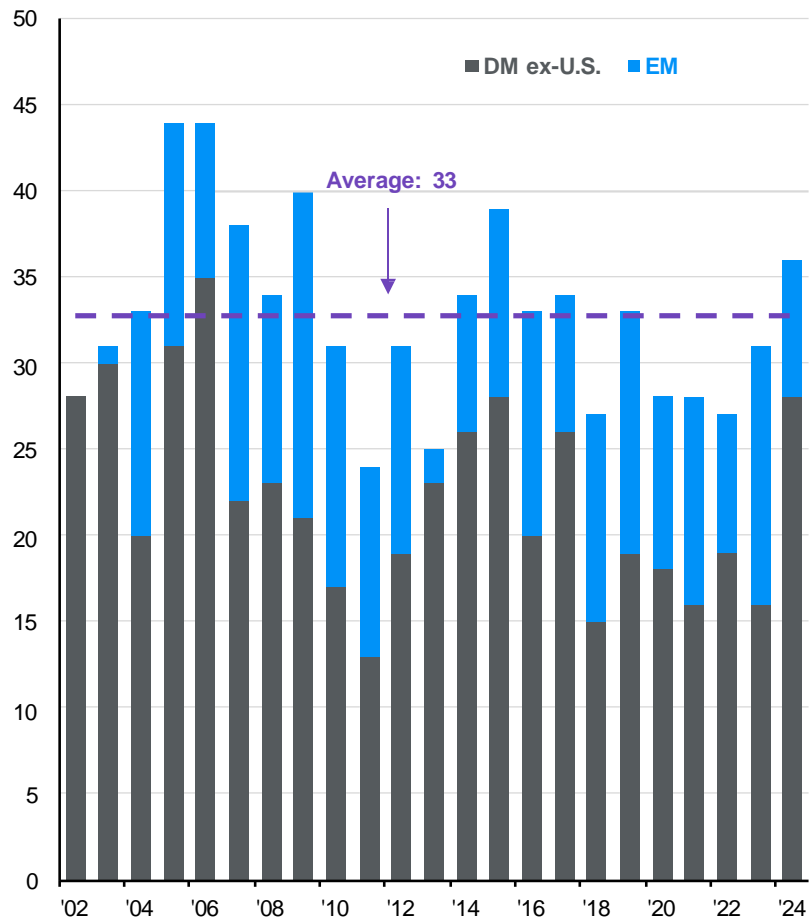




# Global Market Performance and Concentration

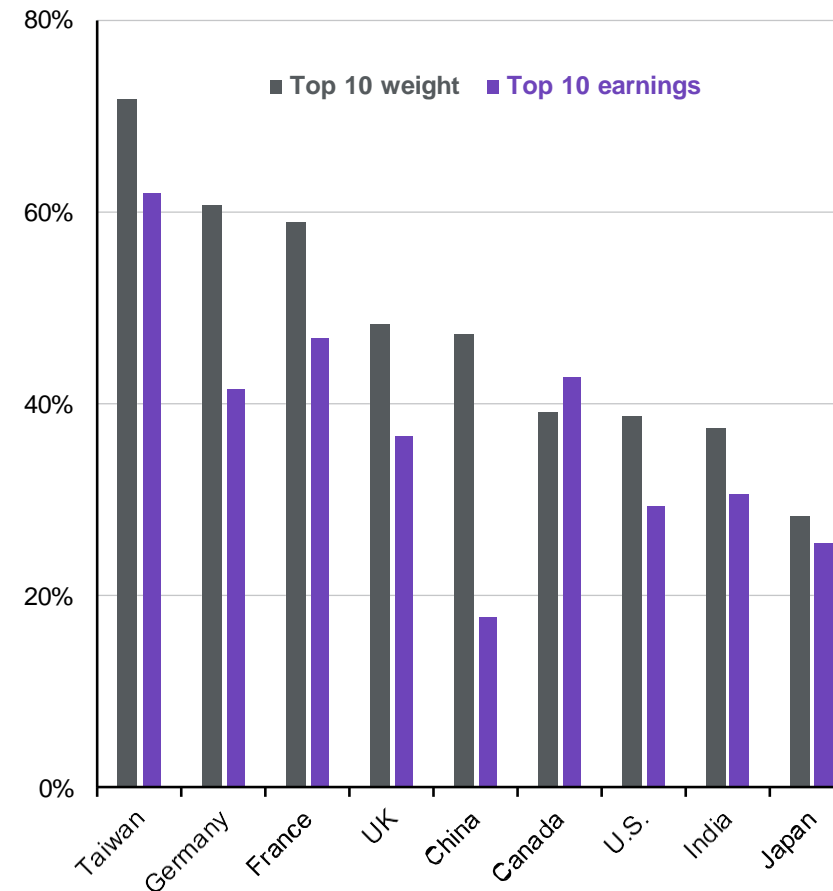
## Top 50 performing companies globally

# of companies listed internationally, MSCI All Country World Index



## Weight of market cap and earnings for top 10 stocks

% of market capitalization, as of latest month-end, LTM earnings

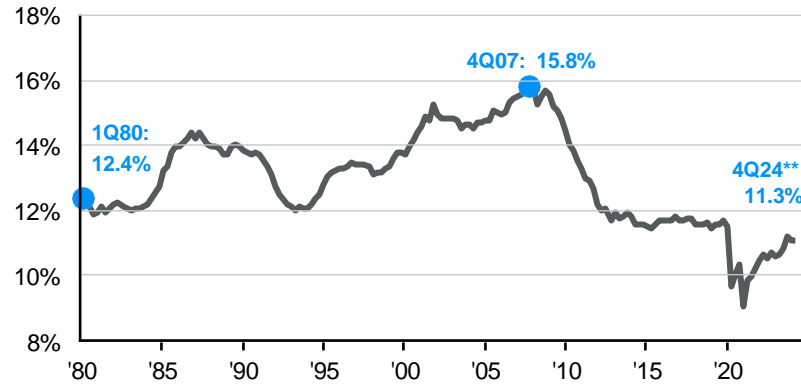


Source: FactSet, MSCI, J.P. Morgan Asset Management. (Left) Graph was made by ranking all the companies in the MSCI All Country World Index by performance on a yearly basis and determining the top 50 performers using their total return in USD. Companies are listed in no particular order. Excluded companies whose market capitalization does not make up at least 0.01% of the MSCI All Country World Index in the year listed. (Right) Standard & Poor's. Uses last 12-month earnings. Different share classes for the same company are grouped together. *Guide to the Markets - U.S.* Data are as of December 31, 2024.

# Consumer Finances

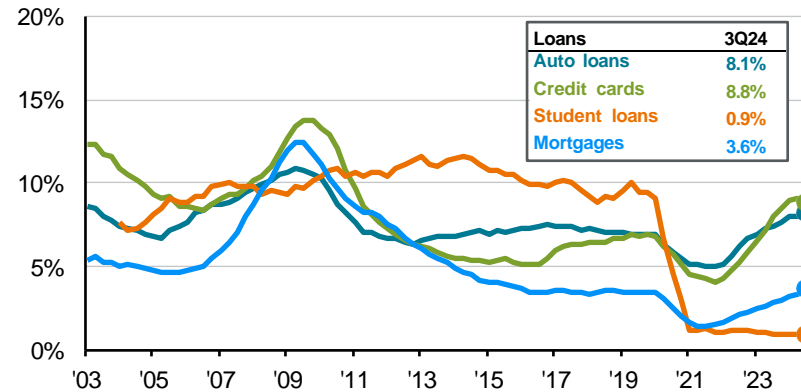
## Household debt service ratio

Debt payments as % of disposable personal income, SA



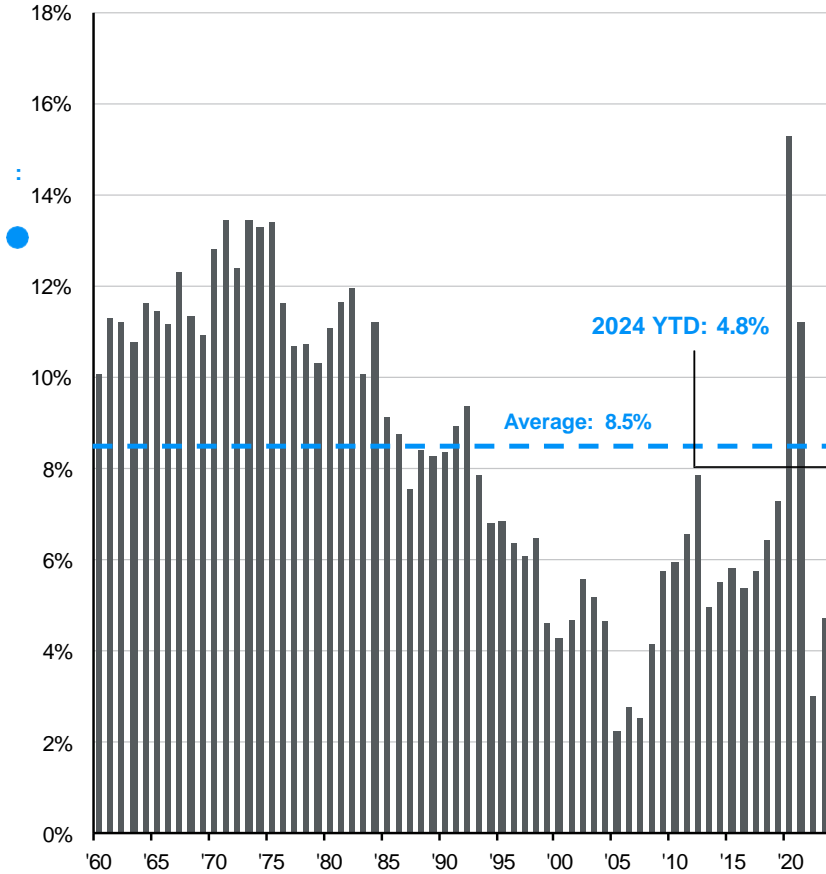
## Flows into early delinquencies

% of balance delinquent 30+ days



## Personal saving rate

Personal savings as a % of disposable personal income, annual



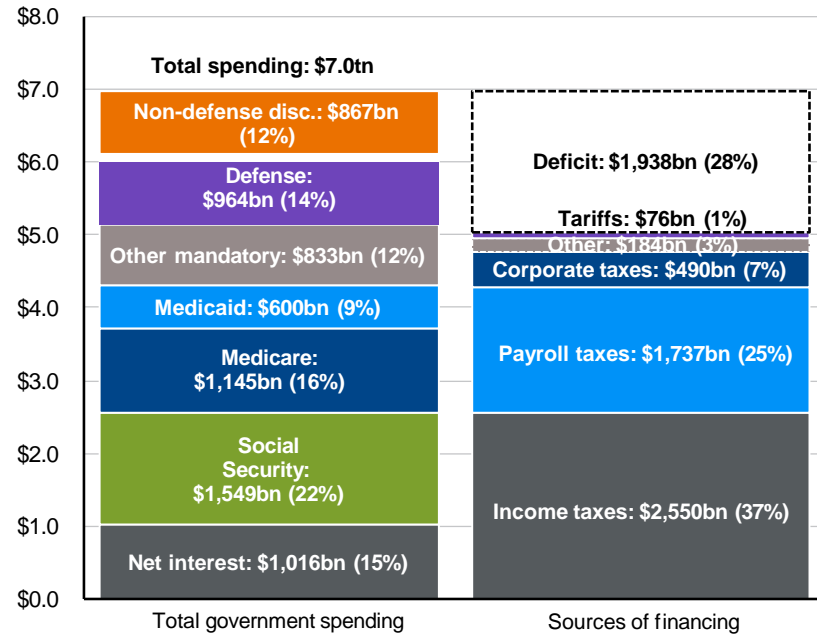
Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA. Data include households and nonprofit organizations. SA – seasonally adjusted. \*Revolving includes credit cards. Values may not sum to 100% due to rounding. \*\*4Q24 figures for debt service ratio are J.P. Morgan Asset Management estimates. Household debt service ratio data from 1Q80 to 4Q04 are J.P. Morgan Asset Management estimates. Due to the moratorium on delinquent student loan payments being reported to credit bureaus, missed federal student loan payments will not be reported until 4Q24. Guide to the Markets – U.S. Data are as of December 31, 2024.

Source: BEA, Federal Reserve, J.P. Morgan Asset Management. \*YTD figure for 2024 reflects the year-over-year % change in the average level of spending during the first eleven months of 2024 relative to the average level of spending during the first eleven months of 2023. Guide to the Markets – U.S. Data are as of December 31, 2024.

# Federal Finances

## The 2025 federal budget

USD trillions

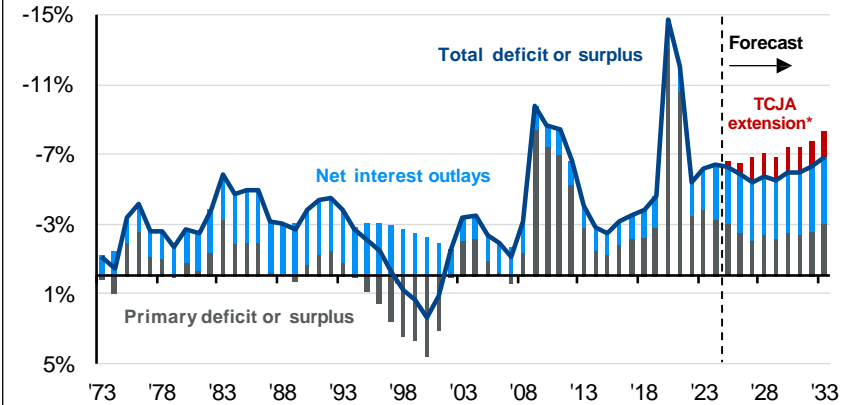


### CBO's Baseline economic assumptions

	2024	'25-'26	'27-'28	'29-'34
Real GDP growth	2.9%	2.0%	1.7%	1.8%
10-year Treasury	4.5%	4.0%	3.6%	4.0%
Headline inflation (CPI)	3.2%	2.4%	2.2%	2.2%
Unemployment	3.8%	4.0%	4.3%	4.5%

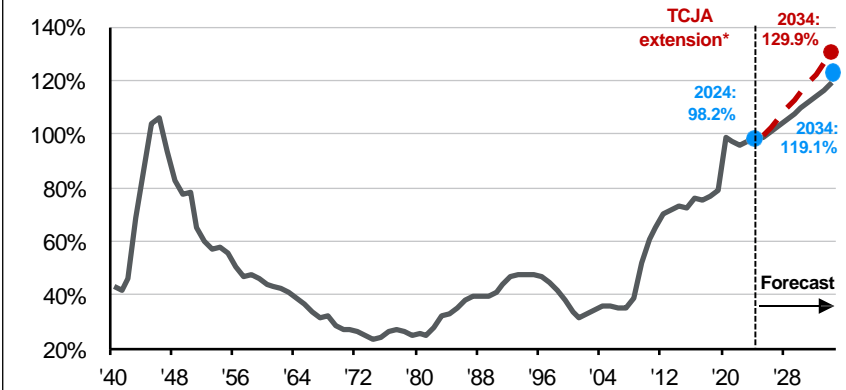
## Federal deficit and net interest outlays

% of GDP, 1973-2034, CBO Baseline Forecast



## Federal net debt (accumulated deficits)

% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year

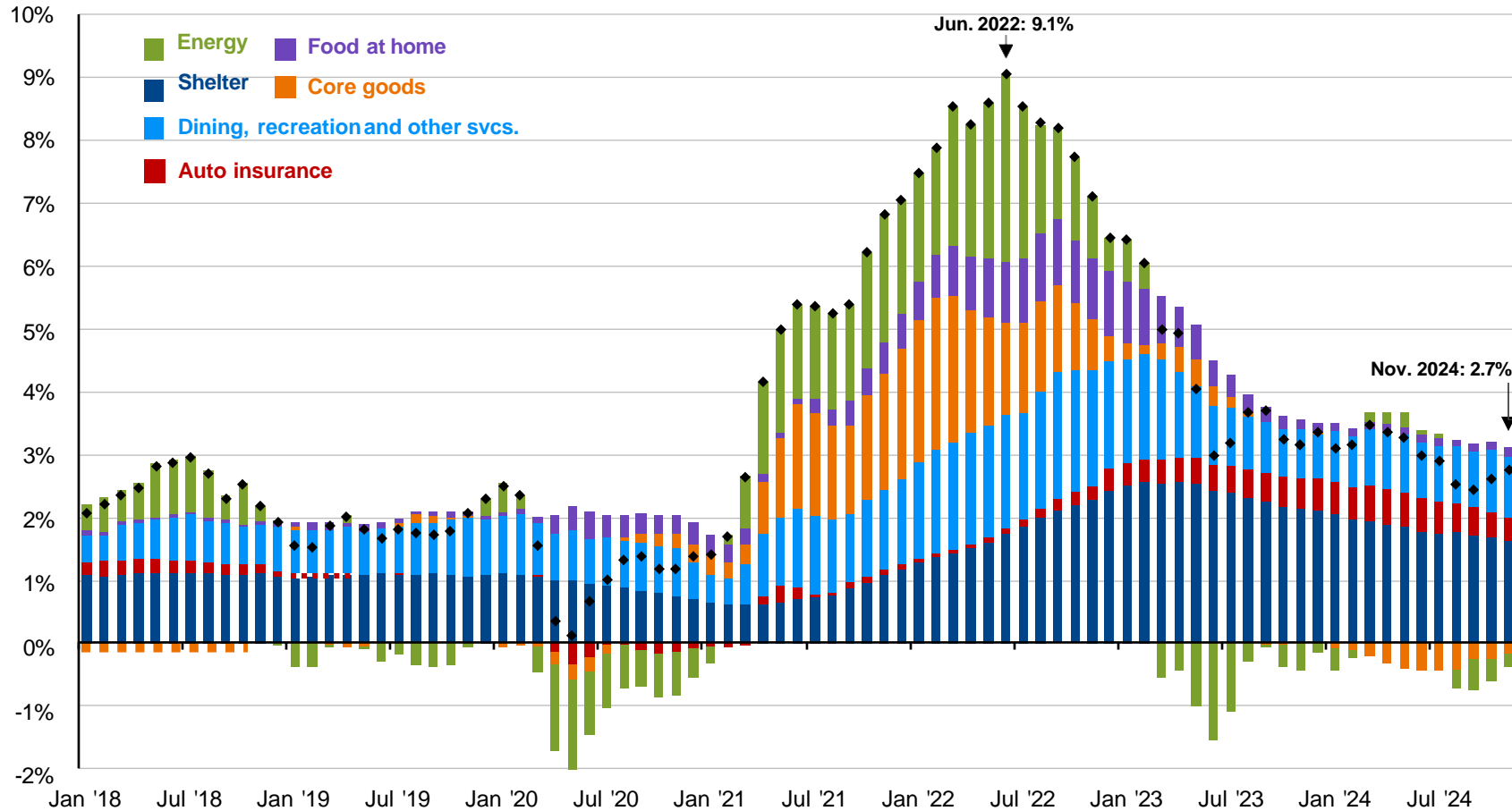


Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. All CBO estimates are adjusted by JPMAM to reflect GDP revisions resulting from the 2024 annual update of the National Economic Accounts. \*Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets - U.S.* Data are as of December 31, 2024.

# Inflation Components

## Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted

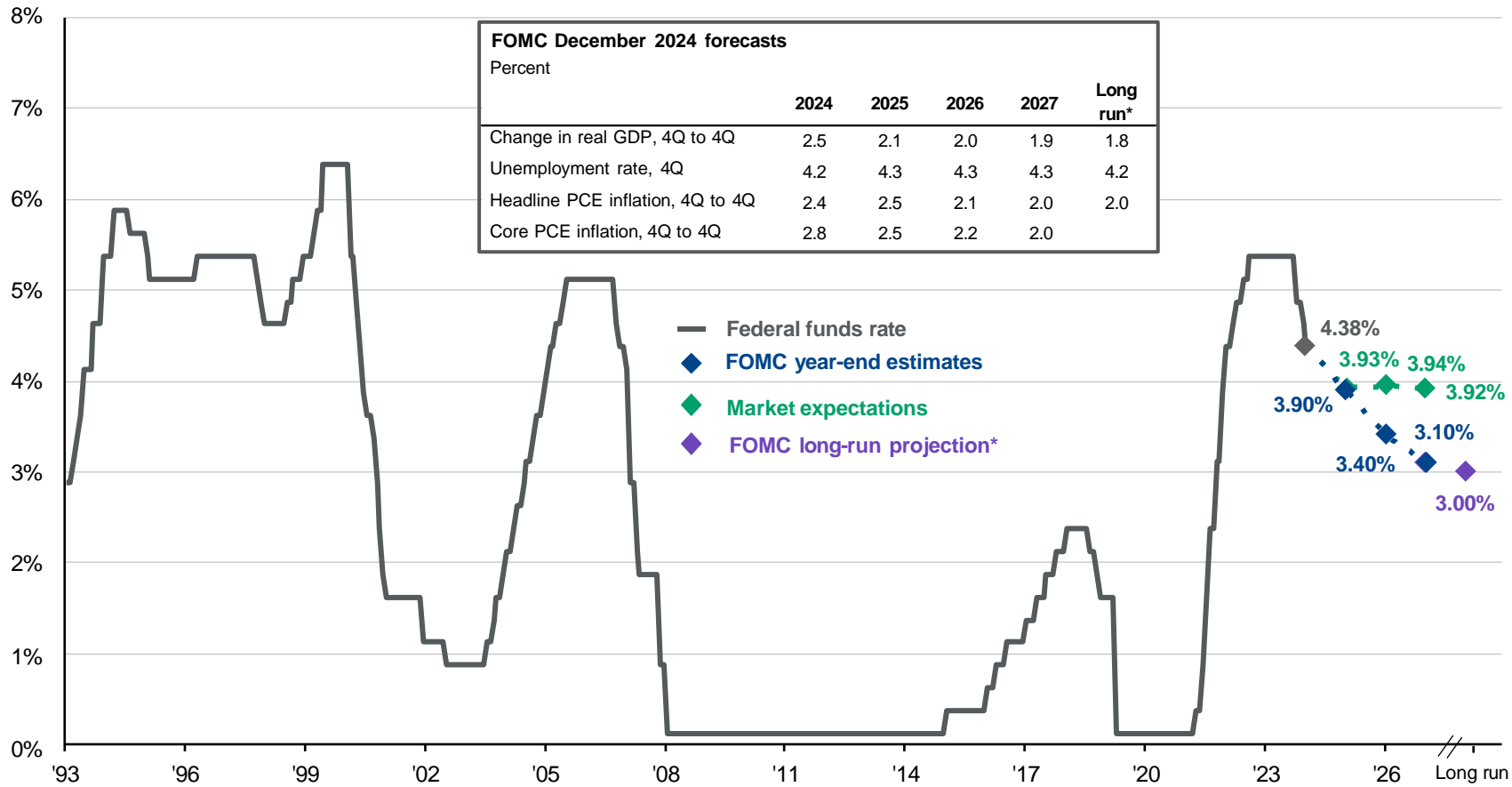


Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages.  
 Guide to the Markets - U.S. Data are as of December 31, 2024.

# The Fed and Interest Rates

## Federal funds rate expectations

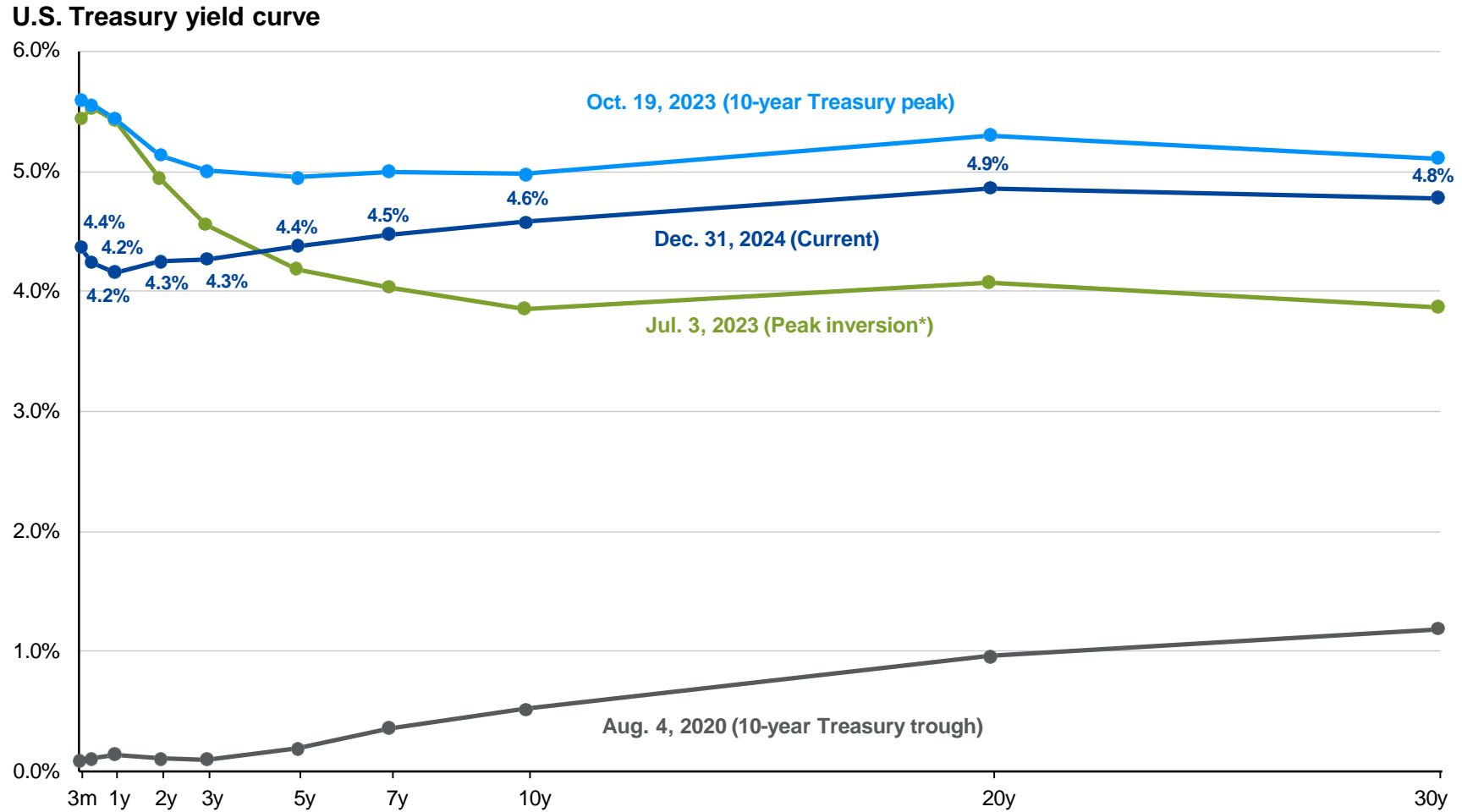
FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. \*Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets – U.S.* Data are as of December 31, 2024.

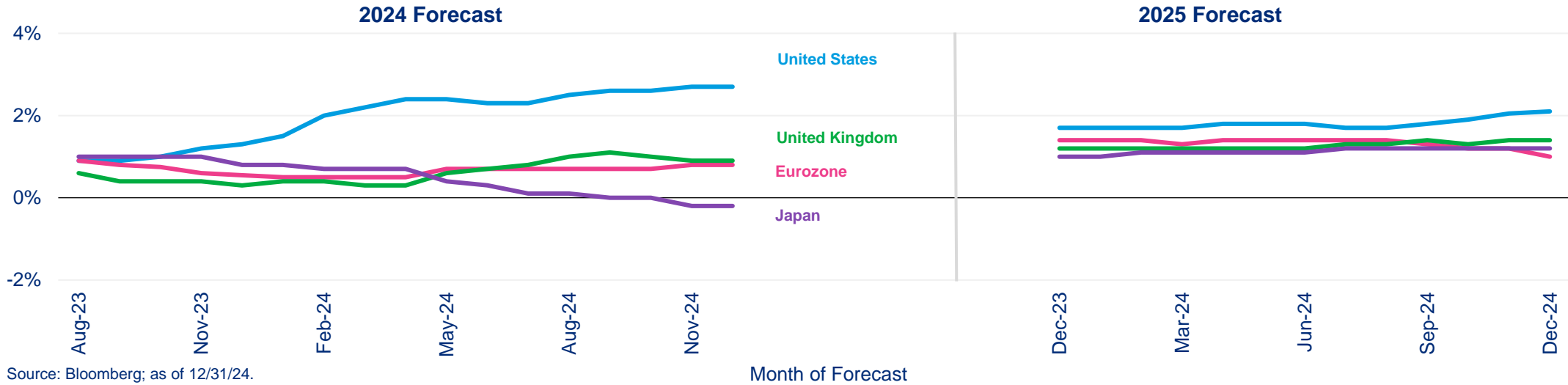
# Yield Curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. \*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.  
 Guide to the Markets – U.S. Data are as of December 31, 2024.

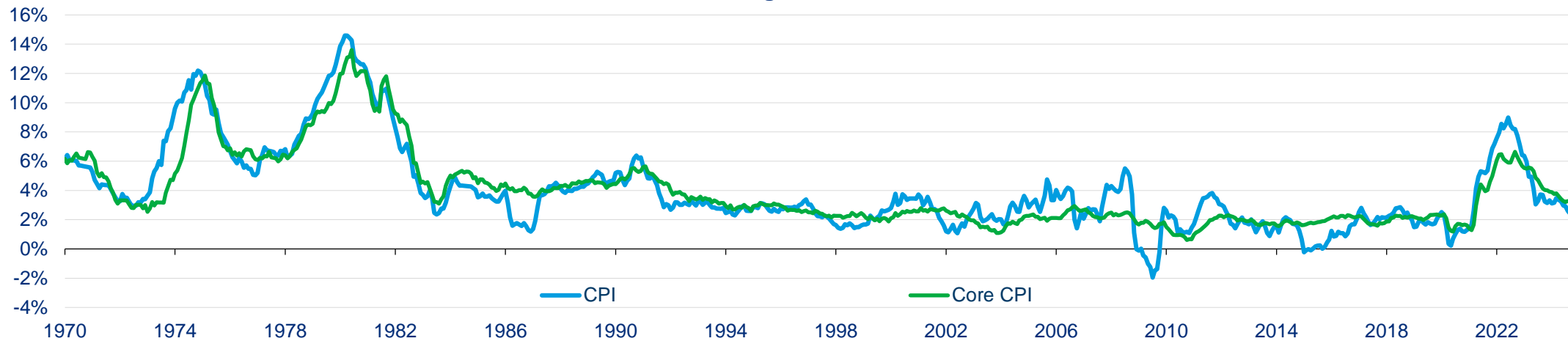
# Economic growth and inflation

## Consensus GDP Growth Forecasts



Source: Bloomberg; as of 12/31/24.

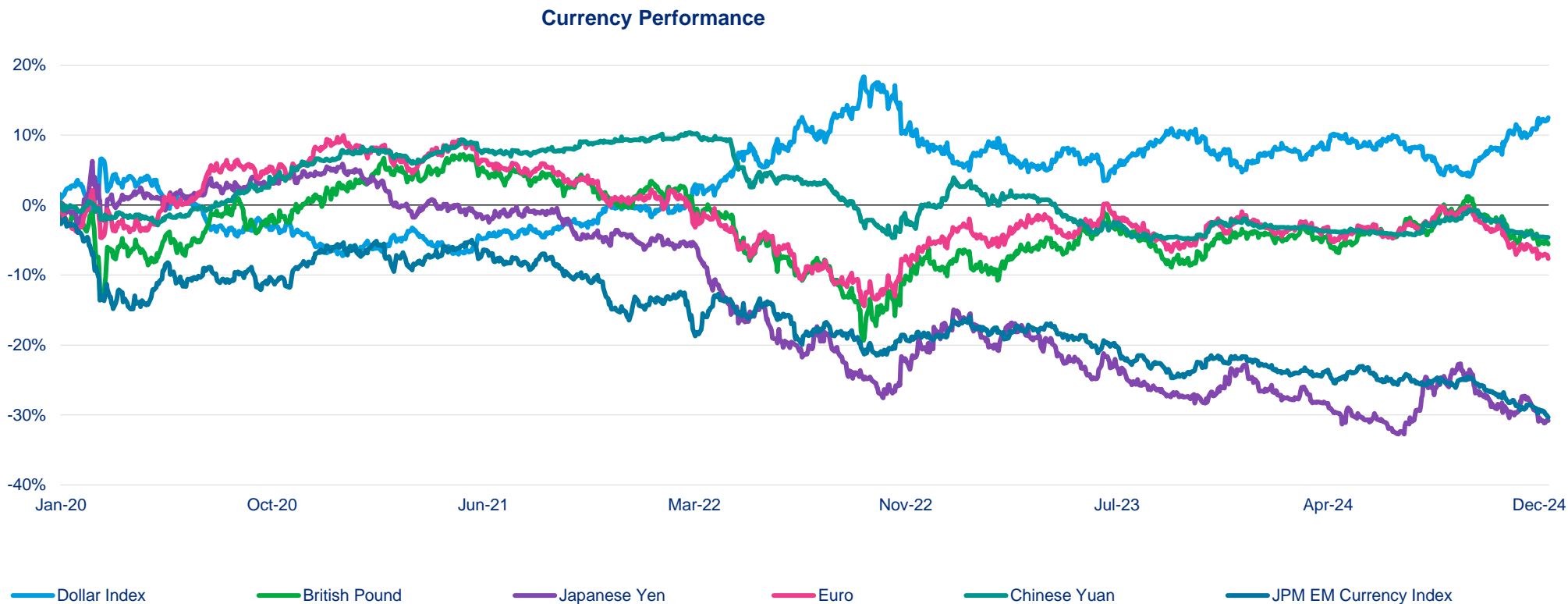
## Inflation Rolling 12-months



Source: Bloomberg; through 12/31/24.

# Currency

The US dollar strengthened against almost all major developed and emerging market currencies as US yields rose in response to the Fed’s December meeting and revised dot plot chart. Expectations of stronger economic growth, tax cuts, deregulations and the possibility of tariffs were also major tailwinds for the US dollar. For 2024, US dollar appreciated by mid-single to double digits against major global currencies.



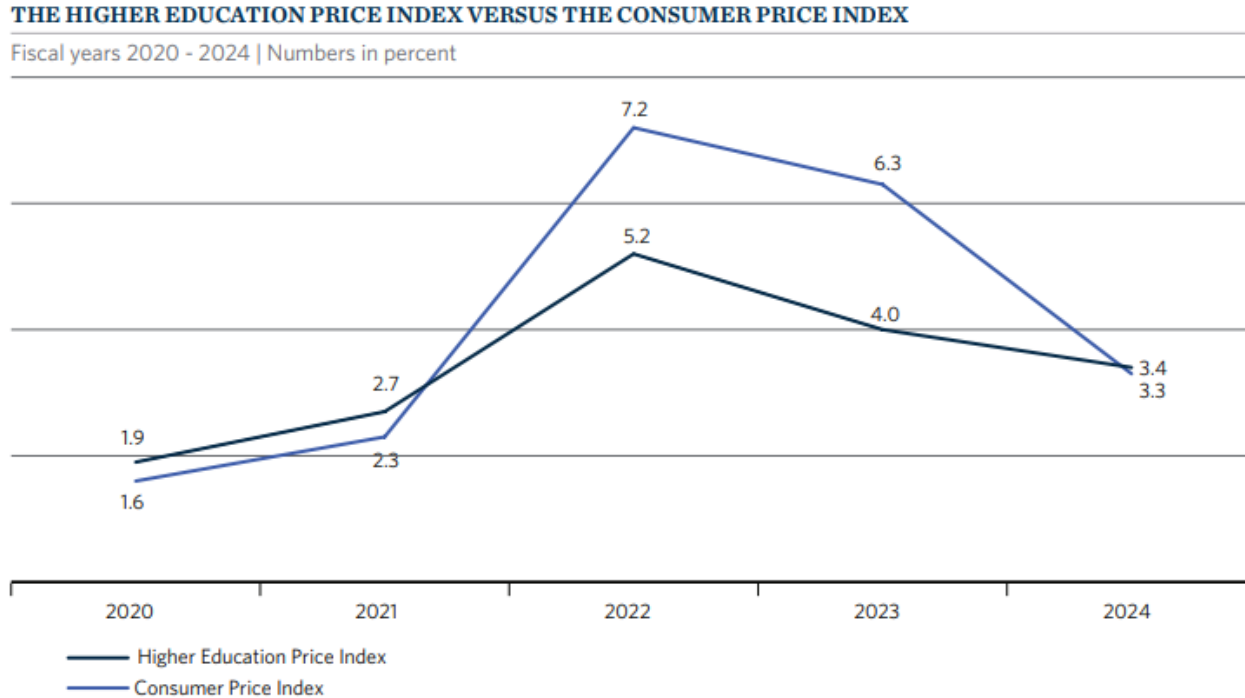
Source: Bloomberg; as of 12/31/24. Cumulative returns since Jan 2020.



# Higher Education Price Index (HEPI)

4

# FY24 HEPI came in at 3.4% for the year, down from its FY22 peak

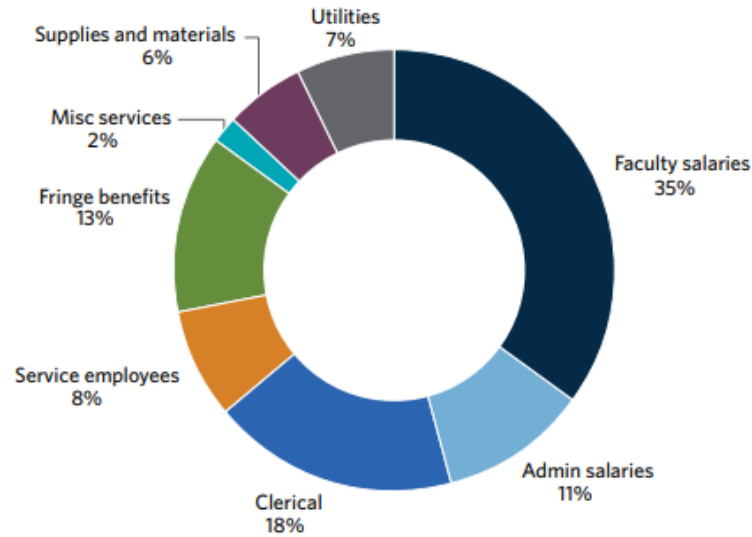


Source: Commonfund Higher Education Price Index FY2024 Update

# Salaries and benefits continue to represent over 80% of the index

## HEPI COST FACTOR WEIGHTINGS

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Source: Commonfund Higher Education Price Index FY2024 Update

# Largest increases in FY24 were from fringe benefits and administrative salaries, while volatile supply and utility costs were negative

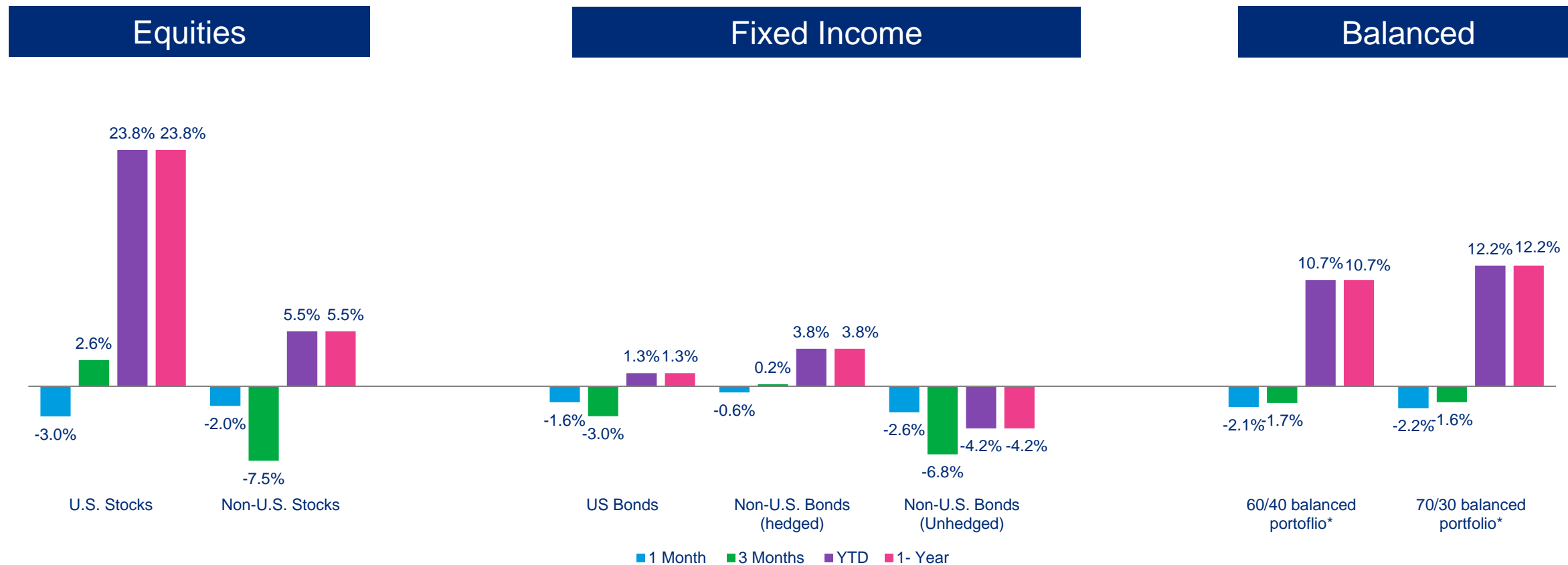
	Faculty salaries	Admin salaries	Clerical	Service employees	Fringe benefits	Misc services	Supplies and materials	Utilities
2020	2.7	1.5	3.2	4.0	2.9	2.8	-3.5	-15.7
2021	1.0	1.6	2.8	4.3	4.1	2.0	3.5	15.0
2022	2.1	2.9	5.2	8.6	2.6	4.3	21.5	43.1
2023	4.0	4.1	5.0	6.4	2.8	4.9	7.3	-3.7
2024	3.8	5.1	4.2	4.2	5.9	4.1	-2.9	-17.5

Source: Commonfund Higher Education Price Index FY2024 Update

# Appendix

# Global market returns – overview

## Global market returns as of December 31, 2024 (%)



Source: Refinitiv, Bloomberg; as of 12/31/24.

**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).

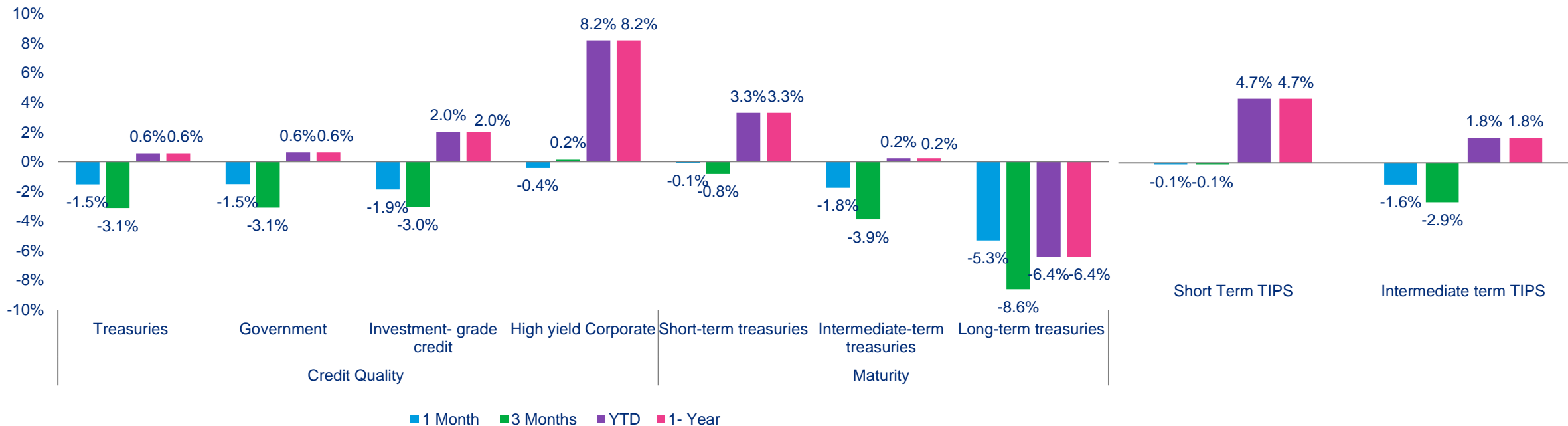
\*70/30 balanced portfolio Static Composite (42% U.S. stocks, 28% international stocks, and 21% investment-grade U.S. bonds, 9% investment-grade international bonds).

# Global market returns – fixed income

## Global market returns as of December 31, 2024 (%)

### U.S. fixed income

### Inflation-sensitive fixed income



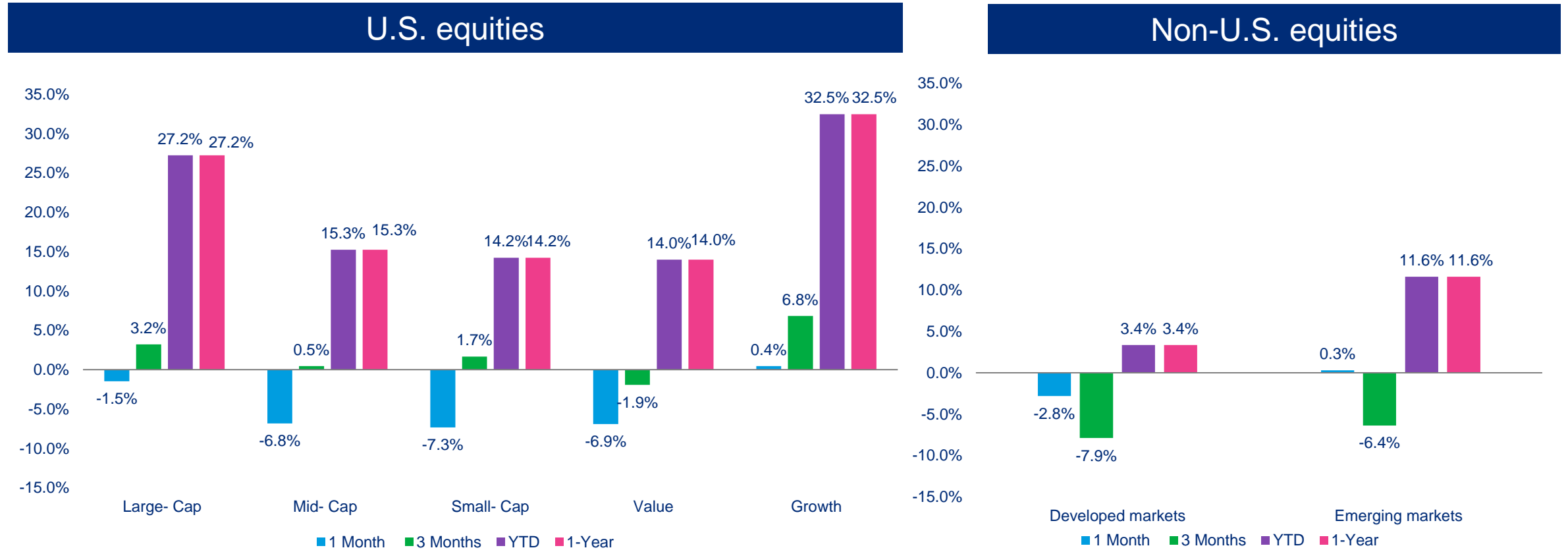
Source: Refinitiv, Bloomberg; as 12/31/24

**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.**

Treasuries (Bloomberg US Treasury Index), Government (Bloomberg US Government Index), Investment-grade credit (Bloomberg US Credit Index), High Yield Corporate (Bloomberg US High Yield Corporate index), Short Term treasuries (Bloomberg US 1-5yr Treasury Index), Intermediate term treasuries (Bloomberg US 5-10yr Treasury Index), Long term Treasuries (Bloomberg US Long Treasury Index), Short Term TIPS (Bloomberg US Treasury 0-5yr TIPS Index), Intermediate term TIPS (Bloomberg US TIPS Index)

# Global market returns – equities

## Global market returns as of December 31, 2024 (%)



Source: Refinitiv, Bloomberg; as of 12/31/24

**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.**

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)



# 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.

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***Vanguard ETF<sup>®</sup> 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.***

**The performance data shown represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent quarter-end, visit our website at [www.vanguard.com/performance](http://www.vanguard.com/performance).**

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

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

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