

Financial Statements

June 30, 2024

MiraCosta College Foundation
(A California Nonprofit Corporation)

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Independent Auditor's Report

Board of Directors
MiraCosta College Foundation
Oceanside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MiraCosta College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MiraCosta College Foundation as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
August 29, 2025

MiraCosta College Foundation
Statement of Financial Position
June 30, 2024

Assets		
Current assets		
Cash and cash equivalents	\$	775,012
Investments		20,732,513
Accounts receivable		8,435
Promises to give		25,444
Donated artwork held for sale		68,501
		<u>21,609,905</u>
Total current assets		
		<u>21,609,905</u>
Noncurrent assets		
Beneficial interest in assets held by the Foundation for California Community Colleges		848,155
Investments related to deferred gifts		787,725
Cash surrender value of life insurance		29,664
Promises to give, net		68,084
		<u>1,733,628</u>
Total noncurrent assets		
		<u>1,733,628</u>
Total assets	\$	<u><u>23,343,533</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$	24,026
Due to MiraCosta Community College District		81,424
		<u>105,450</u>
Total liabilities		
		<u>105,450</u>
Net assets		
Without donor restrictions		
Undesignated		1,796,966
Board designated		640,164
		<u>2,437,130</u>
Total without donor restrictions		
		<u>2,437,130</u>
With donor restrictions		20,800,953
		<u>20,800,953</u>
Total net assets		
		<u>23,238,083</u>
Total liabilities and net assets	\$	<u><u>23,343,533</u></u>

MiraCosta College Foundation

Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions, gifts, and grants	\$ 88,087	\$ 1,943,906	\$ 2,031,993
Contributions - gifts in kind	181,419	812,745	994,164
Net assets released from restrictions - management fees	205,050	(205,050)	-
Net assets released from restrictions	2,731,760	(2,731,760)	-
Total public support and revenues	3,206,316	(180,159)	3,026,157
Expenses			
Program	3,150,913	-	3,150,913
Management and general	502,021	-	502,021
Total expenses	3,652,934	-	3,652,934
Other Income			
Investment income, net of expenses	168,151	2,333,157	2,501,308
Change in value of deferred gifts	-	28,777	28,777
Change in cash surrender value of life insurance	-	385	385
Change in value of beneficial interest in assets held by Foundation for California Community Colleges	-	90,751	90,751
Total other income	168,151	2,453,070	2,621,221
Change in Net Assets	(278,467)	2,272,911	1,994,444
Net Assets, Beginning of Year	2,715,597	18,528,042	21,243,639
Net Assets, End of Year	\$ 2,437,130	\$ 20,800,953	\$ 23,238,083

MiraCosta College Foundation

Statement of Functional Expenses

Year Ended June 30, 2024

	Program	Management and General	Total
Foundation staff salaries and benefits	\$ 50,596	\$ 205,261	\$ 255,857
Donated salaries and benefits	466,518	177,184	643,702
Donated facility use	14,177	4,235	18,412
Contributions to District	358,298	-	358,298
Gifts in kind	332,050	-	332,050
Supplies	135,947	2,700	138,647
Other services	559,527	14,466	573,993
Travel, conferences, training	184,774	10,483	195,257
Dues and membership	4,365	140	4,505
Contract services	166,374	46,143	212,517
Audit	-	13,000	13,000
Advertising & postage	31,963	28,409	60,372
Direct student aid	163,700	-	163,700
Scholarships and Financial Aid	682,624	-	682,624
Total	<u>\$ 3,150,913</u>	<u>\$ 502,021</u>	<u>\$ 3,652,934</u>

MiraCosta College Foundation
Statement of Cash Flows
Year Ended June 30, 2024

Operating Activities	
Change in net assets	\$ 1,994,444
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Contributions restricted for long-term purposes	(396,393)
Realized gain on sale of investments	(387,566)
Unrealized gain on investments	(2,080,282)
Distribution from beneficial interest in assets held by the Foundation for California Community Colleges	39,150
Change in value of beneficial interest in assets held by the Foundation for California Community Colleges	(90,751)
Change in value of deferred gifts	(28,777)
Cash surrender value of life insurance	(385)
Change in assets and liabilities	
Accounts receivable	9,301
Promises to give	253,010
Prepaid and other assets	44
Donated artwork held for sale	358,298
Accounts payable	(14,344)
Due to Miracosta Community College District	42,264
Net Cash Flows From Operating Activities	<u>(301,987)</u>
Investing Activities	
Proceeds from sale of investments	751,225
Purchase of investments	<u>(1,239,210)</u>
Net Cash Flows From Investing Activities	<u>(487,985)</u>
Financing Activities	
Collections of contributions restricted for long-term purposes	<u>396,393</u>
Change in Cash and Cash Equivalents	(393,579)
Cash and Cash Equivalents, Beginning of Year	<u>1,168,591</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 775,012</u></u>

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies

Organization

The MiraCosta College Foundation (the Foundation) is a non-profit public benefit corporation organized under the Non-profit Public Benefit Corporation Law of the State of California. The Foundation was incorporated on April 26, 1967, as an independent foundation established under the laws of the State of California. The purpose of the Foundation is to promote the benefits of the MiraCosta College (the College) and to assist in securing, managing and distributing resources for students in the community. The members of the Foundation's Board of Directors are composed of members from the local community. Advisors to the Board include the College President, College management staff, a member of the MiraCosta Community College District (the District) Board of Trustees, Senate Presidents, and Associated Student Body President.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting.

The Foundation and the District are financially interrelated organizations as defined by *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*, issued by the Financial Accounting Standards Board (FASB). The Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Net Asset Accounting

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions represents all resources over which the governing board has discretionary control for use towards scholarships. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, as described in Note 12.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction

is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Foundation reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. In the year ended June 30, 2024, the Foundation did not receive any conditional promises to give.

Contributions are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released from restrictions.

Donated Assets, Services and In-Kind Contributions

Contributed nonfinancial assets include donated equipment and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 14). In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated salaries, benefits and facilities received from the District per the terms of the Master Agreement are recorded as contributions at the estimated fair value that the Foundation would have otherwise paid for the same services. The value of those contributed items is recognized as both revenue and expense to the Foundation. The Foundation does not sell donated in-kind gifts.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2024, the Foundation had approximately \$520,000 in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts.

Investments are made by diversified investment managers whose performance is monitored by the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. The Foundation maintains investment balances at financial institutions in excess of Securities Investor Protection Corporation (SIPC) limits. As of June 30, 2024, the Foundation had approximately \$20,232,000 in excess of SIPC insurance limits. Concentration risk is managed by placing deposit and investment balances with financial institutions believed by the Foundation to be creditworthy. Management believes credit risk is limited.

Accounts Payable and Current Liabilities

Accounts payable balance consists of expenditures incurred prior to fiscal year end, but not yet paid. Amounts due to the District consist of payroll processed by the District on behalf of the Foundation and other miscellaneous expenses owed to the District.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2024, management believes all amounts are collectable.

Beneficial Interest in Assets held by Community Foundation

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

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the *California Revenue and Taxation Code*.

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

Advertising Costs

Advertising costs are expensed as incurred and were \$60,372 for the year ended June 30, 2024.

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include Foundation staff salaries and benefits, donated salaries and benefits, which are allocated on the basis of estimates of time and effort; and donated facility use, which is allocated based on occupancy.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principle requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Management Fee

Endowments received by the Foundation are subject to a 1.5% endowment management fee. The fee is assessed annually at 1.5% of the endowment fund balance before distribution. In addition, the Foundation assesses a 5% gift fee on all planned gifts, at the time of receipt. Revenues received from management fees are used by the Foundation to cultivate and solicit new gifts, as well as pay for administrative overhead related to processing gifts and endowments.

Adoption of New Accounting Standard

As of July 1, 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision useful information about the expected losses on financial instruments. The impact of the adoption was not considered material to the financial statements.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 775,012
Investment - fixed Income (Board Reserves)	50,000
Accounts receivable	8,435
	<hr/>
	\$ 833,447
	<hr/>

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. To ensure the stability of its mission, programs, employment, and ongoing operations, the Foundation maintains Board-Designated Operating Reserves. Quarterly, the Vice President, Institutional Advancement and the Finance Committee chair will determine if funds need to be transferred from the Operations Reserve Account (Vanguard) into local operating accounts to meet upcoming cash needs. The assets apportioned to the Reserve Account (Portfolio) are to be invested with the objective of security of principal and short-term liquidity.

Note 3 - Promises to Give

The Foundation's unconditional promises to give consisted of the following at June 30, 2024:

Unconditional promises to give before unamortized discount	\$ 99,694
Less discount to net present value	<u>(6,166)</u>
Net Unconditional Promises to Give	<u><u>\$ 93,528</u></u>

Unconditional promises to give can be classified as without or with donor restriction. Management has determined that all amounts are deemed collectible at June 30, 2024.

The Foundation has been promised unconditional promises to give, which were classified as follows at June 30, 2024:

	Annual Fund	Karetas Family	Hatoff Endowment	Total
Amounts due in				
Due within one year	\$ 20,750	\$ 4,694	\$ -	\$ 25,444
Due within one to five years	<u>3,750</u>	<u>-</u>	<u>70,500</u>	<u>74,250</u>
	24,500	4,694	70,500	99,694
Less discount to net present value	<u>(163)</u>	<u>-</u>	<u>(6,003)</u>	<u>(6,166)</u>
Total	<u><u>\$ 24,337</u></u>	<u><u>\$ 4,694</u></u>	<u><u>\$ 64,497</u></u>	<u><u>\$ 93,528</u></u>

The discount rate used was 4.55% for the year ended June 30, 2024.

Note 4 - Donated Artwork Held For Sale

During the year ended June 30, 2021, the Foundation received various works of art, which based on donor stipulations can be sold for the benefit of the Foundation's mission. The works of art were valued using independent appraisals. During the year ended June 30, 2024, the Foundation donated artwork in the amount of \$358,298 to the District, in accordance with the donor's original intention. As of June 30, 2024, the balance of artwork held for sale was \$68,501.

Note 5 - Investments

Investments are stated at fair value in the financial statements and are composed of the following at June 30, 2024:

Investments	
Equities	\$ 13,867,552
Fixed income	<u>6,864,961</u>
Total investments	<u><u>\$ 20,732,513</u></u>

The investment return consists of the following at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 79,117	\$ -	\$ 79,117
Realized gain on sale of investments	15,364	372,202	387,566
Unrealized gain on investments	<u>119,327</u>	<u>1,960,955</u>	<u>2,080,282</u>
Total investment income	213,808	2,333,157	2,546,965
Investment fees	<u>(45,657)</u>	<u>-</u>	<u>(45,657)</u>
Total investment income, net of expenses	<u><u>\$ 168,151</u></u>	<u><u>\$ 2,333,157</u></u>	<u><u>\$ 2,501,308</u></u>

Note 6 - Fair Value Measurement and Disclosures

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

market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

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

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

A significant portion of investment assets are classified within Level 1 because they comprise equities and fixed income assets with readily determinable fair values based on daily redemption values.

The fair values of the deferred gifts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of the beneficial interest in assets held by the Foundation for California Community Colleges is based on the fair value of fund investments as reported by the Foundation. These are considered to be level 3 measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2024. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2024. The Foundation has no assets or liabilities recorded at fair value on a non-recurring basis as of June 30, 2024.

	Level 1	Level 3	Total
Assets			
Equities	\$ 13,867,552	\$ -	\$ 13,867,552
Fixed income	6,864,961	-	6,864,961
Deferred gifts	-	787,725	787,725
Beneficial interest in assets held by the Foundation for California Community Colleges	-	848,155	848,155
Total	<u>\$ 20,732,513</u>	<u>\$ 1,635,880</u>	<u>\$ 22,368,393</u>

Note 7 - Deferred Gifts

The Foundation is the beneficiary of various charitable remainder trusts, administered by the Community College League of California and one individual trustor, which provide for the payment of distributions to the grantor or other designated beneficiary over the trust's term (generally the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets will be available to the Foundation. The Foundation recognizes the fair value of its interest in the trust at the time the trust is established as a contribution. Fair value is based on the present value of the estimated future benefits to be received using discount rates ranging from 4.2% to 5.8%. Assets held in the charitable remainder trusts totaled \$787,725 at June 30, 2024, and are reported at fair value or cost, depending on the nature of the assets in the statement of financial position.

Note 8 - Beneficial Interest in Assets Held by the Foundation for California Community Colleges - Osher Endowment Scholarship

The Foundation for California Community Colleges (FCCC) has created a permanent endowment fund intended to provide scholarship support to California Community College students in perpetuity. The fund began in May 2008 with a \$25 million lead gift from The Bernard Osher Foundation. The Bernard Osher Foundation will provide scholarship matching funds annually to colleges that participate. In order to take advantage of this opportunity, the District and its donors have contributed \$682,313. As of June 30, 2024, the ending balance of the Osher Endowment Scholarship was \$848,155. The Foundation receives no additional interest or dividends on the balance held at the FCCC and does not participate in the investment management of the funds. All donations to the FCCC Osher Endowment Scholarship must remain in the fund permanently and cannot be returned or used for other purposes.

Note 9 - Donor Designated Endowments

The Foundation's endowment (the Endowment) consists of approximately 120 individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to permanent endowment, (b) plus the original value of subsequent gifts to the endowments, (c) plus accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not held in perpetuity is classified as net assets with donor restrictions and may be appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies

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

Spending Policy

The Foundation's Board approved spending policy was created to protect the values of the endowments. An endowment spending rate of no more than 5.0% is based on a three-year moving average of current market values as of June 30, 2024. This rate is reviewed on an annual basis.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Foundation to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Directors. In accordance with US GAAP, there are no funds with deficiencies of this nature that are reported in net assets as of June 30, 2024.

Endowment net asset composition by type of fund as of June 30, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Donor-restricted endowment funds	\$ -	\$ 14,835,567	\$ 14,835,567
Board-designated endowment funds	590,164	-	590,164
Total	<u>\$ 590,164</u>	<u>\$ 14,835,567</u>	<u>\$ 15,425,731</u>

MiraCosta College Foundation

Notes to Financial Statements

June 30, 2024

Changes in endowment net assets as of June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Funds
Balance at June 30, 2023	\$ 540,545	\$ 12,856,191	\$ 13,396,736
Contributions	-	396,393	396,393
Change in value of investments	78,056	2,148,793	2,226,849
Amounts appropriated for expenditures	(28,437)	(565,810)	(594,247)
Balance at June 30, 2024	<u>\$ 590,164</u>	<u>\$ 14,835,567</u>	<u>\$ 15,425,731</u>

Note 10 - Restrictions of Net Asset Balances

Donor-restricted net assets consist of the following at June 30, 2024:

Subject to the Passage of Time or Expenditure for Specified Purpose	
Deferred gifts and cash surrender value of life insurance	\$ 817,389
Campus Activity - endowment	1,200,224
Campus Activity - other	2,665,442
Department Scholarships	88,910
Foundation Directed Funds - endowment	887,229
Foundation Directed Funds - other	565,136
Scholarships - endowment	1,782,247
Scholarships - other	1,146,196
	<u>9,152,773</u>
Perpetual in Nature	
Campus Endowments	5,062,917
Beneficial interest in assets held by the Foundation for California Community Colleges	682,313
Foundation Directed Endowments	1,481,650
Scholarship Endowments	4,421,300
	<u>11,648,180</u>
Total donor-restricted net assets	<u>\$ 20,800,953</u>

Note 11 - Net Assets Released from Restrictions

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes were as listed below at June 30, 2024:

Direct student support	\$ 858,954
Campus support and programs	1,040,948
Other program services	19,113
Donated salaries and facility use	480,695
Gifts in Kind	<u>332,050</u>
Total	<u><u>\$ 2,731,760</u></u>

Note 12 - Board Designated Net Assets

Net assets without donor restrictions that have been Board designated consist of the following at June 30, 2024:

Board-designated endowment funds	\$ 590,164
General reserves	<u>50,000</u>
Total	<u><u>\$ 640,164</u></u>

Note 13 - Title V Endowment Grant

The District provided the Foundation with an endowment grant, which was awarded by the U.S. Department of Education in the fiscal year ended June 30, 2024. The grant was a Title V, Hispanic Serving Institution Grant and its purpose was to expand educational opportunities for, and improve the academic attainment of, Hispanic students, and expand and enhance the academic offerings, program quality, and institutional stability of colleges that are educating Hispanic students. The Foundation received \$112,782, upon certification that matching funds from acceptable resources were met. The corpus of the endowment was to be invested over a period of twenty years, and the Foundation may not spend more than 50% of the aggregate income earned in years six through twenty for allowable expenses. No earnings were allowed to be spent in years one through five. At the end of twenty years, the Foundation may use the corpus for any educational purpose.

Note 14 - In Kind Contributions

The Foundation was given program and service support from the District. For the year ended June 30, 2024, the following contributed nonfinancial assets received from the District were recognized in the statement of activities:

Donated services	\$ 643,702
Donated facilities	<u>18,412</u>
Total	<u>\$ 662,114</u>

Donated services include the value of Foundation's salaries and benefits paid for by the District as part of its agreement with the Foundation. Donated services are based on the fair value of comparable services provided by third parties. During the year, office space is provided by the District on behalf of the Foundation. Donated facilities are recorded at the estimated fair market value of the facilities for the year.

Additionally, the Foundation receives donations of non-cash items, such as equipment, from various community members, businesses and foundations. The equipment is integral to the training and education programs provided by the District. Equipment and other nonfinancial assets donated to the Foundation is passed through directly to the District for use in the educational programs. Contributed goods are recorded at fair value at the date of donation. For the year ended June 30, 2024, the contributed nonfinancial assets received from donors were recognized in the statement of activities in the amount of \$332,050.

Note 15 - Transactions with Related Entities

There are certain administrative costs of the Foundation that are paid by the District in accordance with a Memorandum of Understanding between the District and the Foundation. The District believes that so long as the Foundation continues to adequately perform funds management and fundraising assistance for the District, the District's best interests are served by continuing to support the Foundation's operations by providing personnel, certain facilities, and administrative services including the services of the District's Vice President, Institutional Advancement.

For the year ended June 30, 2024, the Foundation received \$643,702 in donated salaries and benefits and \$18,412 in donated facilities from the District in alignment with the Memorandum of Understanding. In addition, for the year ended June 30, 2024, the Foundation contributed \$358,298 of artwork held for sale to the District in accordance with the donor's original intent for the art collection.

Note 16 - Subsequent Events

The Foundation's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from June 30, 2024 through August 29, 2025, which is the date the financial statements were available to be issued.