



*Report of Independent Auditors and  
Financial Statements*

**San Mateo County Community Colleges  
Foundation**

*June 30, 2021 and 2020*

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## **Report of Independent Auditors**

To the Board of Directors  
San Mateo County Community Colleges Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Mateo County Community Colleges Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Mateo County Community Colleges Foundation, as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mass Adams LLP*

San Francisco, California  
May 12, 2022

## **Financial Statements**

**San Mateo County Community Colleges Foundation**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

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	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 345,006	\$ 601,341
Prepaid expenses	21,427	6,590
Total current assets	366,433	607,931
NONCURRENT ASSETS		
Investments	29,096,785	23,460,367
Total assets	\$ 29,463,218	\$ 24,068,298
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 447,249	\$ 340,186
Deferred revenue	76,900	-
Scholarships payable	342,198	1,025,346
Total current liabilities	866,347	1,365,532
NET ASSETS		
Without donor restrictions	6,081,187	5,467,001
With donor restrictions	22,515,684	17,235,765
Total net assets	28,596,871	22,702,766
Total liabilities and net assets	\$ 29,463,218	\$ 24,068,298

# San Mateo County Community Colleges Foundation

## Statements of Activities and Changes in Net Assets

### Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions and grants	\$ 607,986	\$ 1,675,867	\$ 2,283,853	\$ 409,604	\$ 2,427,540	\$ 2,837,144
Donated services and facilities	911,510	-	911,510	835,617	-	835,617
Investment income, net	11,456	506,087	517,543	19,791	476,565	496,356
Net unrealized/realized gain on investments	449,863	4,391,951	4,841,814	73,418	469,813	543,231
Net assets released from restrictions	1,293,986	(1,293,986)	-	1,818,055	(1,818,055)	-
Total revenues, gains, and other support	3,274,801	5,279,919	8,554,720	3,156,485	1,555,863	4,712,348
EXPENSES						
Program services	1,671,605	-	1,671,605	2,489,229	-	2,489,229
General and administrative	449,099	-	449,099	466,929	-	466,929
Fundraising	539,911	-	539,911	578,457	-	578,457
Total expenses	2,660,615	-	2,660,615	3,534,615	-	3,534,615
CHANGES IN NET ASSETS	614,186	5,279,919	5,894,105	(378,130)	1,555,863	1,177,733
NET ASSETS, beginning of year	5,467,001	17,235,765	22,702,766	5,845,131	15,679,902	21,525,033
NET ASSETS, end of year	\$ 6,081,187	\$ 22,515,684	\$ 28,596,871	\$ 5,467,001	\$ 17,235,765	\$ 22,702,766

# San Mateo County Community Colleges Foundation

## Statements of Functional Expenses

### Years Ended June 30, 2021 and 2020

	2021				2020			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Scholarships	\$ 938,302	\$ -	\$ -	\$ 938,302	\$ 1,769,352	\$ -	\$ -	\$ 1,769,352
Program grants and other	402,255	-	-	402,255	404,432	-	-	404,432
Development	-	-	9,857	9,857	-	-	136,471	136,471
Salaries and benefits	81,971	83,298	130,781	296,050	69,549	67,586	95,834	232,969
Professional services (in-kind)	249,077	253,109	397,389	899,575	245,896	238,956	338,829	823,681
Rent (in-kind)	-	11,936	-	11,936	-	11,936	-	11,936
Contracted services	-	17,852	-	17,852	-	20,250	-	20,250
Depreciation	-	-	-	-	-	13,198	-	13,198
Marketing	-	-	1,884	1,884	-	-	7,323	7,323
Miscellaneous	-	43,097	-	43,097	-	28,614	-	28,614
Postage	-	712	-	712	-	1,667	-	1,667
Printing	-	10,465	-	10,465	-	23,232	-	23,232
Software maintenance	-	11,840	-	11,840	-	30,269	-	30,269
Supplies	-	3,702	-	3,702	-	3,382	-	3,382
Travel and conferences	-	13,088	-	13,088	-	27,839	-	27,839
	<u>\$ 1,671,605</u>	<u>\$ 449,099</u>	<u>\$ 539,911</u>	<u>\$ 2,660,615</u>	<u>\$ 2,489,229</u>	<u>\$ 466,929</u>	<u>\$ 578,457</u>	<u>\$ 3,534,615</u>



**San Mateo County Community Colleges Foundation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 5,894,105	\$ 1,177,733
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	-	13,198
Net unrealized/realized gains on investments	(4,841,814)	(543,231)
Contributions restricted for long-term investments	(348,301)	(43,765)
Changes in operating assets and liabilities:		
Prepaid expenses	(14,837)	(2,409)
Accounts payable and accrued expenses	107,063	(70,420)
Deferred revenue	76,900	-
Salaries payable	<u>(683,148)</u>	<u>781,861</u>
Net cash provided by operating activities	<u>189,968</u>	<u>1,312,967</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Contributions restricted for long-term investments	348,301	43,765
Purchase of investments	<u>(794,604)</u>	<u>(1,496,246)</u>
Net cash used in investing activities	<u>(446,303)</u>	<u>(1,452,481)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	(256,335)	(139,514)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>601,341</u>	<u>740,855</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 345,006</u></u>	<u><u>\$ 601,341</u></u>

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

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### NOTE 1 – FOUNDATION

San Mateo County Community Colleges Foundation (the “Foundation”) is a not-for-profit California corporation organized in 1966. The Foundation operates exclusively for charitable and educational purposes. Its primary activity is in assisting students attending the San Mateo County Community College District (the “District”) beyond the secondary or high school level. The Foundation’s main source of revenues are contributions, grants, and bequests from the public.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as defined in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

**Use of estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

*Without donor restrictions* – Include resources for which there are no donor restrictions. Such amounts are available to support the Foundation’s operations and programs. Funds without donor restrictions may be designated for specific purposes by action of the Board of Directors (the “Board”). As of June 30, 2021 and 2020, \$5,905,631 and \$4,291,464, respectively, was designated by the Board of the Foundation for a Board-designated endowment.

*With donor restrictions* – Is defined as that portion of net assets that are subject to donor-imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restriction on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Cash and cash equivalents** – For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

## San Mateo County Community Colleges Foundation

### Notes to Financial Statements

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**Investments** – The Foundation values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the statement of activities as gain (loss) on investments.

All investment return, net of investment expenses, is classified as without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

**Beneficial interest in charitable remainder trusts** – The Foundation administers various charitable gift annuities. A charitable gift annuity provides for payment of a fixed amount over a specified period to the designated annuity beneficiary. Assets held under charitable gift annuities are recorded at fair value and is included in investments in the accompanying statement of financial position. On an annual basis, the Foundation revalues the annuity contract reserve to make distributions to the annuitants based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates ranging from 6.6% to 7.4% and applicable mortality rates.

**Revenue recognition** – Contributions are recognized when donors provide gifts of assets, including documented pledges and grants to the Foundation that are, in substance, unconditional. Conditional pledges and grants receivable are recognized when the conditions on which they depend are substantially met. Unconditional pledges and grants receivable due in future years are recorded at their net realizable value.

Program and event revenue are recognized when the event has occurred. Program and event revenue represent events hosted by the Foundation. There are no contract assets or contract liabilities related to this revenue stream.

The Foundation recognizes the value of donated facilities and materials at fair value at the time of donation. The Foundation recognizes the fair value of donated services if the services meet the recognition criteria, which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated.

As part of the Master Agreement between the Foundation and the District, certain employees of the District perform services for the Foundation that meet the recognition criteria. The value of these services is allocated in the accompanying statement of functional expenses. As of June 30, 2021 and 2020, the amounts totaled \$899,575 and \$823,681, respectively.

As of June 30, 2021 and 2020, the Foundation received donated rent valued at \$11,936.

**Functional allocation of expenses** – The costs have been allocated among the program and supporting services benefited based upon management's estimate of time and effort recorded on functions related to the specific activity, or in the case of shared expenses, using an allocation based on personnel costs, space usage, or other relevant bases.

**Advertising** – The costs of advertising are charged to expense as incurred. Advertising expenses totaled \$11,742 and \$143,794 for the years ended June 30, 2021 and 2020, respectively.

**Concentration of risk** – Financial instruments potentially subjecting the Foundation to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000 per financial institution. Uninsured balances at June 30, 2021 and 2020, were approximately \$104,000 and \$385,000, respectively.

## San Mateo County Community Colleges Foundation

### Notes to Financial Statements

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Balances in the Foundation's investment accounts are insured by the Securities Investor Protection Corporation ("SIPC") limit of \$500,000 per financial institution. Uninsured balances at June 30, 2021 and 2020, were approximately \$28,584,000 and \$22,946,000, respectively.

**Income tax status** – The Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Foundation qualifies for charitable contribution deduction under section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Foundation paid no taxes on unrelated business income in the years ended June 30, 2021 and 2020.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Foundation does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Foundation's tax returns will not be challenged by the taxing authorities and that the Foundation will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Foundation's tax returns remain open for federal income tax examination for three years from the date of filing.

**New accounting pronouncements** – In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which increases transparency and comparability among entities by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. The effective date of ASU 2016-02 was deferred for the Foundation by ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of the provisions of these ASUs on the Foundation's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization's programs and other activities. ASU 2020-07 is effective for the Foundation for fiscal years beginning July 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2020-07 on the Foundation's financial statements.

**Recently adopted accounting pronouncements** – In June 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13"), which eliminates, adds, and modifies certain disclosure requirements for fair value measurements. The adoption of this ASU did not have a material effect on the Foundation's financial statements.

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

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**Novel coronavirus (“COVID-19”) pandemic** – In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their clients, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the Foundation’s operations.

The Foundation’s management has been closely monitoring the impact of COVID-19 on the Foundation’s operations, including the impact on its employees. The duration and intensity of the pandemic is uncertain but may influence donor decisions, and may also negatively impact collections of the Foundation’s receivable.

### NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an “exit price”) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements, which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

**Level 1** – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

**Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes 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, or market-corroborated inputs.

**Level 3** – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk, using the best information available in the circumstances, which may include using the reporting entity’s own data).

#### *Techniques and Inputs*

Level 1 assets include:

- Investments in mutual funds for which quoted prices for identical assets are readily available.

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

Level 3 assets include:

- Beneficial interest in charitable remainder trusts held or controlled by a third-party trustee for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received over the term of the agreements based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity-specific estimates of cash flows).

There have been no changes in the techniques and inputs used as of June 30, 2021 and 2020.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of an input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the Foundation believes its valuation, methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the Foundation's assets measured at fair value on a recurring basis as of June 30, 2021 and 2020, based upon the three-level hierarchy:

	2021			
	Total	Level 1	Level 2	Level 3
Mutual Funds	\$ 29,083,621	\$ 29,083,621	\$ -	\$ -
Beneficial interest in charitable remainder trusts	13,164	-	-	13,164
Total	<u>\$ 29,096,785</u>	<u>\$ 29,083,621</u>	<u>\$ -</u>	<u>\$ 13,164</u>
	2020			
	Total	Level 1	Level 2	Level 3
Mutual Funds	\$ 23,446,431	\$ 23,446,431	\$ -	\$ -
Beneficial interest in charitable remainder trusts	13,936	-	-	13,936
Total	<u>\$ 23,460,367</u>	<u>\$ 23,446,431</u>	<u>\$ -</u>	<u>\$ 13,936</u>

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2021 and 2020:

	2021			
	Balance June 30, 2020	Unrealized Losses	Purchases	Sales
Beneficial interest in charitable remainder trusts	\$ 13,936	\$ (772)	\$ -	\$ -
	2020			
	Balance June 30, 2019	Unrealized Losses	Purchases	Sales
Beneficial interest in charitable remainder trusts	\$ 16,334	\$ (2,398)	\$ -	\$ -

### NOTE 4 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021 and 2020:

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 345,006	\$ 601,341
Investments - non-endowed	2,974,406	2,801,201
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,319,412	\$ 3,402,542

As part of the Foundation's liquidity management plan, it structures its financial assets to be available as obligations come due. Cash and cash equivalents are held in interest-bearing bank accounts. Investments are held in highly liquid mutual funds.

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

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### NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2021 and 2020, net assets with donor restrictions - purpose restricted, in the amounts of \$22,515,684 and \$17,235,765, respectively, are restricted for scholarships and program grants.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the years ended June 30, 2021 and 2020, net assets released from donor restrictions were for the following purposes:

	2021	2020
Purpose restriction accomplished:		
Scholarships and program grants	\$ 999,309	\$ 1,567,766
Endowment investment management and custodial fee	294,677	250,289
	<u>1,293,986</u>	<u>1,818,055</u>
Total restriction released	<u>\$ 1,293,986</u>	<u>\$ 1,818,055</u>

### NOTE 6 – ENDOWMENT

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements.

**Interpretation of relevant law** – The Foundation's Board has interpreted the State of California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as net assets with donor restrictions - perpetual in nature: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions - perpetual in nature, is classified as net assets with donor restrictions - purpose restrictions, until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

**Spending policy** – In accordance with the State of California's enacted version of UPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Foundation and the 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.
- 7) The investment policies of the Foundation.



# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

**Return objective and risk parameters** – The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to scholarships and programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested with the primary investment objective to preserve the inflation-adjusted value of the Fund throughout time and to provide a stable flow of cash to support the purposes of the Foundation.

**Strategies employed for achieving objectives** – To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). To satisfy its long-term rate-of-return objectives, the Foundation relies on an investment strategy with an emphasis on high quality, investment-grade companies that are financially sound and that exhibit favorable prospects for earnings growth.

The Foundation charges an annual endowment management fee to help offset the cost of administration and stewardship of funds received. This fee is set by the Foundation's Board of Directors and is currently 1.5% based upon the rolling prior 12-quarter average of each fund's market value as of June 30 and applied on July 1 of each year. The total amount of management fees charged by the Foundation for the years ended June 30, 2021 and 2020, was \$294,677 and \$250,289, respectively.

2021				
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restriction	Perpetual in Nature	
Board-designated funds	\$ 5,905,631	\$ -	\$ -	\$ 5,905,631
Donor-restricted endowment funds	-	8,035,078	9,983,434	18,018,512
	<u>\$ 5,905,631</u>	<u>\$ 8,035,078</u>	<u>\$ 9,983,434</u>	<u>\$ 23,924,143</u>
2020				
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restriction	Perpetual in Nature	
Board-designated funds	\$ 4,291,464	\$ -	\$ -	\$ 4,291,464
Donor-restricted endowment funds	-	4,855,623	9,635,133	14,490,756
	<u>\$ 4,291,464</u>	<u>\$ 4,855,623</u>	<u>\$ 9,635,133</u>	<u>\$ 18,782,220</u>

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restriction	Perpetual in Nature	
Net assets balances, June 30, 2020	\$ 4,291,464	\$ 4,855,623	\$ 9,635,133	\$ 18,782,220
Investment income	115,633	390,453	-	506,086
Net gains (realized and unrealized)	1,003,674	3,389,051	-	4,392,725
Contributions	-	-	348,301	348,301
Transfers and expenses	-	(105,189)	-	(105,189)
Appropriation for endowment expenditures	494,860	(494,860)	-	-
	<u>\$ 5,905,631</u>	<u>\$ 8,035,078</u>	<u>\$ 9,983,434</u>	<u>\$ 23,924,143</u>
	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restriction	Perpetual in Nature	
Net assets balances, June 30, 2019	\$ 2,324,157	\$ 7,012,277	\$ 9,591,368	\$ 18,927,802
Investment income	105,900	330,637	-	436,537
Net gains (realized and unrealized)	104,932	327,616	-	432,548
Contributions	239,876	-	43,765	283,641
Transfers and expenses	1,103,128	(2,401,436)	-	(1,298,308)
Appropriation for endowment expenditures	413,471	(413,471)	-	-
	<u>\$ 4,291,464</u>	<u>\$ 4,855,623</u>	<u>\$ 9,635,133</u>	<u>\$ 18,782,220</u>

**Funds with deficiencies** – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, the Foundation had no underwater endowments.

### NOTE 7 – RELATED PARTIES

The Foundation's board members participate in fundraising and other events, as well as make contributions. The Foundation requires all board members to read and sign a conflict-of-interest policy annually.

# San Mateo County Community Colleges Foundation

## Notes to Financial Statements

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### **NOTE 8 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position including estimates inherent in the process of preparing financial statements. The Foundation's financial statements do not recognize subsequent events that provide additional evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date before the financial statements were available to be issued.

The Foundation has evaluated subsequent events through May 12, 2022, which is the date the financial statements were available to be issued.

