

**SAN MATEO COUNTY COMMUNITY
COLLEGES FOUNDATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019**

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**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION**

**Financial Statements
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
San Mateo County Community Colleges Foundation
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo County Community Colleges Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Mateo County Community Colleges Foundation as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the San Mateo County Community Colleges Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
March 18, 2020

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
With Comparative Amounts as of June 30, 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 2B)	\$740,855	\$339,478
Prepaid expense	4,181	5,744
Total Current Assets	<u>745,036</u>	<u>345,222</u>
Investments (Notes 2D and 3)	<u>21,420,890</u>	<u>20,179,712</u>
Property and equipment (Note 2E):		
Equipment, at cost	59,114	45,916
Accumulated depreciation	<u>(45,916)</u>	<u>(36,697)</u>
Property and Equipment, Net	<u>13,198</u>	<u>9,219</u>
Total Assets	<u><u>\$22,179,124</u></u>	<u><u>\$20,534,153</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$234,886	\$165,365
Scholarships payable	243,485	
Deferred revenue	<u>175,720</u>	<u>153,140</u>
Total Current Liabilities	<u>654,091</u>	<u>318,505</u>
NET ASSETS (Note 2A)		
Without donor restrictions	5,845,131	2,228,781
With donor restrictions (Note 4):		
Purpose restrictions	6,088,534	8,914,738
Perpetual in nature	<u>9,591,368</u>	<u>9,072,129</u>
Total Net Assets	<u>21,525,033</u>	<u>20,215,648</u>
Total Liabilities and Net Assets	<u><u>\$22,179,124</u></u>	<u><u>\$20,534,153</u></u>

See accompanying notes to the financial statements

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
With Summarized Amounts for the Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions		Totals	
		Purpose Restrictions	Perpetual in Nature	2019	2018
Public Support and Revenue:					
Public Support:					
Contributions and grants (Note 2A)	\$58,412	\$1,636,443	\$519,239	\$2,214,094	\$2,987,682
Special events, net					
Donated services (Note 6)	640,155			640,155	477,418
Donated facilities (Note 6)	11,936			11,936	11,936
Total Public Support	710,503	1,636,443	519,239	2,866,185	3,477,036
Revenue:					
Net investment income (Note 3)	3,644,497	(2,234,727)		1,409,770	825,899
Total Revenue (Loss)	3,644,497	(2,234,727)		1,409,770	825,899
Net Assets Released from Restrictions:					
Satisfaction of program restrictions (Note 5)	2,227,920	(2,227,920)			
Total Public Support and Revenue	6,582,920	(2,826,204)	519,239	4,275,955	4,302,935
Expenses:					
Program Services:					
Scholarships	1,445,390			1,445,390	1,250,078
Program grants (Note 7)	544,706			544,706	569,795
Other program	183,613			183,613	301,964
Total Program Services	2,173,709			2,173,709	2,121,837
Supporting Services:					
General and administrative	359,923			359,923	298,104
Fundraising	432,938			432,938	204,281
Total Supporting Services	792,861			792,861	502,385
Total Expenses	2,966,570			2,966,570	2,624,222
Changes in Net Assets	3,616,350	(2,826,204)	519,239	1,309,385	1,678,713
Net Assets:					
Beginning of Year	2,228,781	8,914,738	9,072,129	20,215,648	18,536,935
End of Year	\$5,845,131	\$6,088,534	\$9,591,368	\$21,525,033	\$20,215,648

See accompanying notes to the financial statements

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
With Summarized Amounts for the Year Ended June 30, 2018**

	Program Services	General and Administrative Expenses	Fundraising	Totals	
				2019	2018
Scholarships	\$1,445,390			\$1,445,390	\$1,250,078
Program grants and other (Note 7)	544,706			544,706	569,795
Development			\$166,989	166,989	98,641
Salaries and benefits	178,096	\$222,642	251,565	652,303	588,074
Audit and accounting		14,240		14,240	10,365
Marketing			14,384	14,384	181
Bank fees		15,183		15,183	10,828
Depreciation		9,218		9,218	619
Professional consulting services	5,517			5,517	24,554
Miscellaneous		3,562		3,562	3,762
Postage		1,418		1,418	1,619
Printing		16,939		16,939	6,853
Rent (in-kind)		11,936		11,936	11,936
Software maintenance		24,245		24,245	29,040
Software update					1,799
Supplies		1,698		1,698	1,816
Travel and conferences		38,842		38,842	14,262
Total Expenses	<u>\$2,173,709</u>	<u>\$359,923</u>	<u>\$432,938</u>	<u>\$2,966,570</u>	<u>\$2,624,222</u>

See accompanying notes to the financial statements

**SAN MATEO COUNTY
COMMUNITY COLLEGES FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
With Comparative Amounts for the Year Ended June 30, 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$1,309,385	\$1,678,713
Adjustments to reconcile change in net assets provided by operating activities:		
Depreciation	9,218	619
Contributions restricted for long-term purposes	(519,239)	(1,648,476)
Unrealized investment losses (gains)	3,242,599	(1,829,212)
Realized investment (gains) losses	(3,788,783)	198,864
Decrease in contributions receivable		121,235
Decrease in prepaid expense	1,563	
Increase (decrease) in accrued liabilities	69,521	(985,906)
Increase in scholarships payable	243,485	
Increase in deferred revenue	22,580	153,140
Total Adjustments	<u>(719,056)</u>	<u>(3,989,736)</u>
Net Cash Provided (Used) by Operating Activities	<u>590,329</u>	<u>(2,311,023)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(13,198)	(9,838)
Dividends received	(487,815)	(240,641)
Interest received	(166,110)	(260,851)
Investment management fees	17,653	3,972
Proceeds from sale of securities	2,899	2,205,665
Purchase of securities	(61,620)	(2,201,892)
Net Cash (Used for) Investing Activities	<u>(708,191)</u>	<u>(503,585)</u>
Cash Flows from Financing Activities:		
Contributions restricted to endowment	519,239	1,648,476
Net Cash Provided by Financing Activities	<u>519,239</u>	<u>1,648,476</u>
Net Increase (Decrease) in Cash and Cash Equivalents	401,377	(1,166,132)
Cash and Cash Equivalents:		
Beginning of Year	339,478	1,505,610
End of Year	<u>\$740,855</u>	<u>\$339,478</u>

See accompanying notes to the financial statements

Supplemental Information:

The Foundation paid no interest or taxes in 2019 and 2018.

Non-cash activities:

In-kind services	\$640,155	\$477,418
In-kind rent	<u>\$11,936</u>	<u>\$11,936</u>

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 – REPORTING ENTITY

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 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

A. Basis of Presentation and Financial Statement 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). The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC), No. 958, *Financial Statements of Not-for-Profit Organizations*.

The Foundation reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose 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 restriction 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 increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

B. Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

C. Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management believes the entire balance is collectible and therefore no allowance for doubtful accounts is currently necessary.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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D. Investments

The Foundation's investments consist of marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized (see Note 3).

E. Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to five years.

F. Concentration of Credit Risk

The Foundation maintains various cash balances at a financial institution. The cash account held in this financial institution is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2019, the balance in this financial institution was \$305,228.

The Foundation maintains these cash balances for future investments and future cash needs for payments of scholarships, programs and general operations.

G. Income Taxes

The Foundation is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Foundation qualifies for the 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, 2019 and 2018, respectively.

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.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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H. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on the type of expense.

The Foundation allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Those expenses which cannot be specifically identified by function type (i.e. salaries and benefits), have been allocated to functions based upon management's best estimate of hours spent in each category.

I. Advertising Costs

Advertising costs, if any, are expensed as incurred.

J. Fair Value Measurements

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

The 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, the Foundation develops inputs using the best information available in the circumstances.

K. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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L. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

M. Prior Year Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

N. Reclassifications

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current financial statements. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

O. New Accounting Pronouncement

During the year ended June 30, 2019, the Foundation adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (see Note 9).

P. Subsequent Events

The Foundation evaluated subsequent events for recognition and disclosure through March 18, 2020, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2019 that requires recognition or disclosure in such financial statements.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 3 – INVESTMENTS

Investments at June 30, 2019 consisted of the following:

Investment Type	Fair Value
Charitable Gift Annuities	\$16,334
Equity Funds	12,660,155
Fixed Income Funds	8,744,401
	<u>\$21,420,890</u>

All of the Foundation's investments are reported at their fair market values using level 1 fair value measures (quoted price in active markets) in the statement of financial position, except for the charitable gift annuities which are reported using level 3 fair value measures. The Foundation records the unobservable fair value based on interest and dividends received, realized gains and losses, unrealized gains and losses and any distributions made and fees charged during the fiscal year.

Net investment income (loss) at year end is allocated based on the percentage of fund balances at June 30, 2019 over the grand total of all the funds. Funds that have both temporary and permanent restrictions record net investment income (loss) in the with donor restrictions – purpose restricted account. Funds with only temporary restrictions record net investment income (loss) in the without restrictions account.

Net investment return consisted of the following for the year ended June 30, 2019:

Interest and dividend income	\$702,118
Realized gain (loss) on investments	3,777,914
Unrealized gain (loss) on investments	(3,017,974)
Investment expenses	<u>(52,288)</u>
Total investment income, net	<u>\$1,409,770</u>

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 4 – ENDOWMENT FUNDS

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.

A. *Interpretation of Relevant Law*

The Foundation's Board has interpreted 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.

B. *Spending Policy*

In accordance with the State of California's enacted version of 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 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.

C. *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.

D. *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 which exhibit favorable prospects for earnings growth.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 4 – ENDOWMENT FUNDS (Continued)

Endowment net asset compositions by type of funds as of June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	Perpetual in Nature	Total
Board-designated funds	\$2,324,157			\$2,324,157
Donor-restricted endowment funds		\$7,012,277	\$9,591,368	16,603,645
	<u>\$2,324,157</u>	<u>\$7,012,277</u>	<u>\$9,591,368</u>	<u>\$18,927,802</u>

Changes in endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Purpose Restrictions	Perpetual in Nature	Total
Beginning Balance at July 1, 2018	\$2,183,472	\$6,708,850	\$9,072,129	\$17,964,451
Investment income	69,588	511,857		581,445
Net gains (realized and unrealized)	85,256	564,803		650,059
Contributions			519,239	519,239
Transfers and expenses	(14,159)			(14,159)
Appropriation for endowment expenditure		(773,233)		(773,233)
Endowment net assets at June 30, 2019	<u>\$2,324,157</u>	<u>\$7,012,277</u>	<u>\$9,591,368</u>	<u>\$18,927,802</u>

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 percent based upon the rolling prior twelve quarter average of each fund's market value as of June 30th and applied on July 1st of each year. The total amount of management fees charged by the Foundation for the year ended June 30, 2019 was \$237,824.

E. 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 SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2019, the Foundation had no underwater endowments.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019, net assets with donor restrictions – purpose restricted, in the amount of \$6,088,534, are restricted for scholarships and program grants.

Net assets are released from donor restrictions by incurring expenses satisfying the purpose restrictions specified. The total amount of restrictions released during the year ended June 30, 2019 is as follows:

Purpose restriction accomplished:

Scholarships and program grant	\$1,990,096
Endowment investment management and custodial fee	<u>237,824</u>
Total restrictions released	<u><u>\$2,227,920</u></u>

NOTE 6 – DONATED SERVICES, FACILITIES AND MATERIALS

The Foundation recognizes the value of donated facilities and materials at fair value. 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 San Mateo County Community College District (District), certain District employees perform services for the Foundation that meet the recognition criteria. The value of these services is allocated on the Statement of Functional Expenses in accordance with Note 9. As of June 30, 2019, the amount allocated to program services, general and administrative and fundraising expense was \$176,933, \$220,314 and \$242,908, respectively, totaling \$640,155.

As of June 30, 2019, the Foundation received a donation of facilities valued at \$11,936.

NOTE 7 – PROGRAM GRANTS

Program grants in the amount of \$544,706 were awarded to enhance student learning. Various departments at the three colleges use the much needed program grants to improve student learning and success outcomes by providing for physical, technological and human resources, including tutors and faculty professional growth.

SAN MATEO COUNTY COMMUNITY COLLEGES FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES
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The following program and supporting services are included in the accompanying financial statements.

A. *Program*

Provides program grants to various departments at the three colleges within the District and provide scholarships to college students. The Foundation also raises funds for these programs and scholarships, manages program funding, provides reporting to relevant parties and grant-making bodies and collaborates with college faculty and staff on the administration of scholarships and program funds.

B. *General and Administrative*

Includes functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide for coordination and articulation of the Foundation's program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Foundation.

C. *Fundraising*

Provides the structure necessary to encourage and secure financial support from individuals, foundations, civic organizations and businesses.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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, consisted of the following at June 30, 2019:

Total current financial assets:	
Cash and cash equivalents	\$740,855
Investments	<u>21,420,890</u>
Total current financial assets	22,161,745
Contractual or donor-imposed restrictions:	
Scholarships payable	(243,485)
Donor-imposed restrictions for specific purposes	(6,088,534)
Endowment fund - restricted in perpetuity	<u>(9,591,368)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u><u>\$6,238,358</u></u>

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