



*Report of Independent Auditors and
Financial Statements*

**San Mateo County Community Colleges
Foundation**

June 30, 2022 and 2021

Table of Contents

REPORT OF INDEPENDENT AUDITORS	1
--------------------------------------	---

FINANCIAL STATEMENTS

Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Report of Independent Auditors

The Board of Directors
San Mateo County Community Colleges Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Mateo County Community Colleges Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 audits. 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 the 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 within 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.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in dark ink and is positioned above the printed name and date.

San Francisco, California
February 7, 2023

Financial Statements

San Mateo County Community Colleges Foundation
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,550,165	\$ 345,006
Prepaid expenses	<u>42,825</u>	<u>21,427</u>
Total current assets	<u>1,592,990</u>	<u>366,433</u>
NONCURRENT ASSETS		
Investments	<u>24,380,492</u>	<u>29,096,785</u>
Total assets	<u><u>\$ 25,973,482</u></u>	<u><u>\$ 29,463,218</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 293,497	\$ 447,249
Deferred revenue	36,500	76,900
Scholarships payable	<u>1,021,544</u>	<u>342,198</u>
Total current liabilities	<u>1,351,541</u>	<u>866,347</u>
NET ASSETS		
Without donor restrictions	5,165,548	6,081,187
With donor restrictions	<u>19,456,393</u>	<u>22,515,684</u>
Total net assets	<u>24,621,941</u>	<u>28,596,871</u>
Total liabilities and net assets	<u><u>\$ 25,973,482</u></u>	<u><u>\$ 29,463,218</u></u>

San Mateo County Community Colleges Foundation
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT						
Contributions and grants	\$ 89,741	\$ 2,155,117	\$ 2,244,858	\$ 607,986	\$ 1,675,867	\$ 2,283,853
Donated services and facilities	978,458	-	978,458	911,510	-	911,510
Investment income, net	11,013	612,687	623,700	11,456	506,087	517,543
Net unrealized/realized (losses) gains on investments	(411,124)	(4,198,966)	(4,610,090)	449,863	4,391,951	4,841,814
Net assets released from restrictions	1,628,129	(1,628,129)	-	1,293,986	(1,293,986)	-
Total revenues, gains (losses), and other support	2,296,217	(3,059,291)	(763,074)	3,274,801	5,279,919	8,554,720
EXPENSES						
Program services	1,932,515	-	1,932,515	1,671,605	-	1,671,605
General and administrative	405,679	-	405,679	449,099	-	449,099
Fundraising	873,662	-	873,662	539,911	-	539,911
Total expenses	3,211,856	-	3,211,856	2,660,615	-	2,660,615
CHANGES IN NET ASSETS	(915,639)	(3,059,291)	(3,974,930)	614,186	5,279,919	5,894,105
NET ASSETS, beginning of year	6,081,187	22,515,684	28,596,871	5,467,001	17,235,765	22,702,766
NET ASSETS, end of year	\$ 5,165,548	\$ 19,456,393	\$ 24,621,941	\$ 6,081,187	\$ 22,515,684	\$ 28,596,871

San Mateo County Community Colleges Foundation

Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

	2022				2021			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Scholarships	\$ 1,122,359	\$ -	\$ -	\$ 1,122,359	\$ 938,302	\$ -	\$ -	\$ 938,302
Program grants and other	488,837	-	-	488,837	402,255	-	-	402,255
Donor and alumni relations	-	-	320,599	320,599	-	-	9,857	9,857
Salaries and benefits	56,071	55,139	98,196	209,406	81,971	83,298	130,781	296,050
Professional services (in-kind)	258,800	254,495	453,228	966,523	249,077	253,109	397,389	899,575
Rent (in-kind)	-	17,181	-	17,181	-	11,936	-	11,936
Contracted services	6,448	14,674	-	21,122	-	17,852	-	17,852
Marketing	-	-	1,639	1,639	-	-	1,884	1,884
Miscellaneous	-	10,335	-	10,335	-	43,097	-	43,097
Postage	-	2,198	-	2,198	-	712	-	712
Printing	-	22,004	-	22,004	-	10,465	-	10,465
Software maintenance	-	600	-	600	-	11,840	-	11,840
Supplies	-	1,788	-	1,788	-	3,702	-	3,702
Travel and conferences	-	27,265	-	27,265	-	13,088	-	13,088
	<u>\$ 1,932,515</u>	<u>\$ 405,679</u>	<u>\$ 873,662</u>	<u>\$ 3,211,856</u>	<u>\$ 1,671,605</u>	<u>\$ 449,099</u>	<u>\$ 539,911</u>	<u>\$ 2,660,615</u>

San Mateo County Community Colleges Foundation
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,974,930)	\$ 5,894,105
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net unrealized/realized losses (gains) on investments	4,610,090	(4,841,814)
Contributions restricted for long-term investments	(183,028)	(348,301)
Changes in operating assets and liabilities:		
Prepaid expenses	(21,398)	(14,837)
Accounts payable and accrued expenses	(153,752)	107,063
Deferred revenue	(40,400)	76,900
Salaries payable	<u>679,346</u>	<u>(683,148)</u>
Net cash provided by operating activities	<u>915,928</u>	<u>189,968</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions restricted for long-term investments	183,028	348,301
Purchase of investments	(722,940)	(794,604)
Sales of Investments	<u>829,143</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>289,231</u>	<u>(446,303)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	1,205,159	(256,335)
CASH AND CASH EQUIVALENTS, beginning of year	<u>345,006</u>	<u>601,341</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,550,165</u>	<u>\$ 345,006</u>

San Mateo County Community Colleges Foundation

Notes to Financial Statements

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, 2022 and 2021, \$5,125,554 and \$5,905,631, 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 statements 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

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 statements of activities and changes in net assets 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 statements 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 statements of functional expenses. As of June 30, 2022 and 2021, the amounts totaled \$961,277 and \$899,575, respectively.

As of June 30, 2022 and 2021, the Foundation received donated rent valued at \$17,181 and \$11,936 and restricted donated materials valued at \$5,245 and \$0, respectively.

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 \$25,665 and \$11,742 for the years ended June 30, 2022 and 2021, respectively.

San Mateo County Community Colleges Foundation

Notes to Financial Statements

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, 2022 and 2021, were approximately \$1,271,000 and \$104,000, respectively.

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, 2022 and 2021, were approximately \$23,867,000 and \$28,584,000, 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, 2022 and 2021.

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.

Recently adopted accounting pronouncements – 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. The Foundation adopted ASU 2020-07 for the year ended June 30, 2022, using a retrospective transition for all periods presented in the financial statements. The adoption of this ASU did not have a material effect on the Foundation’s financial statements.

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.

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, 2022 and 2021.

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.

San Mateo County Community Colleges Foundation

Notes to Financial Statements

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, 2022 and 2021, based upon the three-level hierarchy:

	2022			
	Total	Level 1	Level 2	Level 3
Mutual Funds	\$ 24,367,328	\$ 24,367,328	\$ -	\$ -
Beneficial interest in charitable remainder trusts	13,164	-	-	13,164
Total	<u>\$ 24,380,492</u>	<u>\$ 24,367,328</u>	<u>\$ -</u>	<u>\$ 13,164</u>

	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>

The following table presents a reconciliation of the statements 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, 2022 and 2021:

	2022				
	Balance June 30, 2021	Unrealized Losses	Purchases	Sales	Balance June 30, 2022
Beneficial interest in charitable remainder trusts	<u>\$ 13,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,164</u>

	2021				
	Balance June 30, 2020	Unrealized Losses	Purchases	Sales	Balance June 30, 2021
Beneficial interest in charitable remainder trusts	<u>\$ 13,936</u>	<u>\$ (772)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,164</u>

NOTE 4 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of June 30, 2022 and 2021, 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.

San Mateo County Community Colleges Foundation

Notes to Financial Statements

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,550,165	\$ 345,006
Investments - non-endowed	<u>2,284,201</u>	<u>2,974,406</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,834,366</u>	<u>\$ 3,319,412</u>

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.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2022 and 2021, net assets with donor restrictions - purpose restricted, in the amounts of \$19,316,138 and \$22,515,684, 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, 2022 and 2021, net assets released from donor restrictions were for the following purposes:

	<u>2022</u>	<u>2021</u>
Purpose restriction accomplished:		
Scholarships and program grants	\$ 1,313,719	\$ 999,309
Endowment investment management and custodial fee	<u>314,410</u>	<u>294,677</u>
Total restriction released	<u>\$ 1,628,129</u>	<u>\$ 1,293,986</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.

San Mateo County Community Colleges Foundation

Notes to 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.

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.

San Mateo County Community Colleges Foundation

Notes to Financial Statements

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, 2022 and 2021, was \$314,410 and \$294,677, respectively.

2022			
	Without Donor Restrictions	With Donor Restrictions	
		Purpose Restriction	Perpetual in Nature
			Total
Board-designated funds	\$ 5,125,555	\$ -	\$ -
Donor-restricted endowment funds	-	4,907,238	10,166,462
	<u>\$ 5,125,555</u>	<u>\$ 4,907,238</u>	<u>\$ 10,166,462</u>
			<u>\$ 20,199,255</u>
2021			
	Without Donor Restrictions	With Donor Restrictions	
		Purpose Restriction	Perpetual in Nature
			Total
Board-designated funds	\$ 5,905,631	\$ -	\$ -
Donor-restricted endowment funds	-	8,035,078	9,983,434
	<u>\$ 5,905,631</u>	<u>\$ 8,035,078</u>	<u>\$ 9,983,434</u>
			<u>\$ 23,924,143</u>

San Mateo County Community Colleges Foundation

Notes to Financial Statements

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restriction	Perpetual in Nature	
Net assets balances, June 30, 2021	\$ 5,905,631	\$ 8,035,078	\$ 9,983,434	\$ 23,924,143
Investment income	151,241	461,447	-	612,688
Net losses (realized and unrealized)	(1,036,507)	(3,162,459)	-	(4,198,966)
Contributions	-	-	183,028	183,028
Transfers and expenses	-	(321,638)	-	(321,638)
Appropriation for endowment expenditures	105,190	(105,190)	-	-
	<u>\$ 5,125,555</u>	<u>\$ 4,907,238</u>	<u>\$ 10,166,462</u>	<u>\$ 20,199,255</u>
	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>

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, 2022, the Foundation had four funds with fair value of assets totaling \$205,626, which was \$10,374 below the corpus of \$216,000. At June 30, 2021, 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

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 February 7, 2023, which is the date the financial statements were available to be issued.

