

**SAN DIEGO MESA COLLEGE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**



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**SAN DIEGO MESA COLLEGE FOUNDATION
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Diego Mesa College Foundation
San Diego, California

We have audited the accompanying financial statements of San Diego Mesa College Foundation (the Foundation) (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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 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 auditors' 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 entity'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 entity'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 Foundation as of June 30, 2020, 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.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, during the year ended June 30, 2020, San Diego Mesa College Foundation implemented the Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, and early implemented ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Our auditors' opinion was not modified with respect to the implementation.



CliftonLarsonAllen LLP

Glendora, California
May 27, 2021

**SAN DIEGO MESA COLLEGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	126,501
Investments		2,010,880
Accounts Receivable		500
Total Current Assets		2,137,881

NONCURRENT ASSETS

Investments Held with FCCC		59,195
Nondepreciable Artwork		1,763,969
Total Noncurrent Assets		1,823,164

Total Assets		\$ 3,961,045
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	4,201
Accrued Scholarships		4,553
Accrued Mini Grants		2,931
Total Current Liabilities		11,685

NET ASSETS

Without Donor Restrictions		220,532
With Donor Restrictions		3,728,828
Total Net Assets		3,949,360

Total Liabilities and Net Assets		\$ 3,961,045
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See accompanying Notes to Financial Statements.

**SAN DIEGO MESA COLLEGE FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions and Gifts	\$ 8,762	\$ 490,980	\$ 499,742
Donated Services	355,076	-	355,076
In-Kind Donations	-	50,595	50,595
Other Revenue	1,270	-	1,270
Investment Income, Net of Expense	15,588	49,622	65,210
Total Support and Revenues	<u>380,696</u>	<u>591,197</u>	<u>971,893</u>
 Total Revenues before Net Assets Released from Restrictions	 380,696	 591,197	 971,893
 Net Assets Released from Restrictions	 <u>339,808</u>	 <u>(339,808)</u>	 <u>-</u>
 Total Support and Revenues	 720,504	 251,389	 971,893
 OPERATING EXPENSES			
Program Services:			
Student and Campus Support	721,050	-	721,050
Supporting Services:			
Management and General	4,598	-	4,598
Total Expenses	<u>725,648</u>	<u>-</u>	<u>725,648</u>
 CHANGE IN NET ASSETS	 (5,144)	 251,389	 246,245
 Net Assets - Beginning of Year	 <u>225,676</u>	 <u>3,477,439</u>	 <u>3,703,115</u>
 NET ASSETS - END OF YEAR	 <u>\$ 220,532</u>	 <u>\$ 3,728,828</u>	 <u>\$ 3,949,360</u>

See accompanying Notes to Financial Statements.

**SAN DIEGO MESA COLLEGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services - Student and Campus Support	Management and General	Total
Donated Services	\$ 355,076	\$ -	\$ 355,076
Scholarships and Grants	127,009	-	127,009
College Promise Program	75,000	-	75,000
Professional Services	4,719	-	4,719
Equipment	3,956	-	3,956
Information Technology	1,079	32	1,111
Conference and Meetings	30,206	499	30,705
College Support	108,205	-	108,205
Contract Services	-	1,976	1,976
Hospitality	-	125	125
Supplies	4,371	330	4,701
Other Expenses	11,429	1,636	13,065
	<u>\$ 721,050</u>	<u>\$ 4,598</u>	<u>\$ 725,648</u>
Total			

See accompanying Notes to Financial Statements.

**SAN DIEGO MESA COLLEGE FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Donations and Contributions	\$ 500,512
Cash Paid for Program Support	(294,257)
Payments to Suppliers	(4,598)
Payments to/on Behalf of Students for Scholarships	(127,009)
Cash Received from Dividends and Interest	47,453
Net Cash Provided by Operating Activities	<u>122,101</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvested Interest and Dividends, Net of Expenses	<u>(47,431)</u>
Net Cash Used by Investing Activities	<u>(47,431)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	
	74,670
Cash and Cash Equivalents, Beginning of Year	<u>51,831</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	
	<u><u>\$ 126,501</u></u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 246,245
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized and Unrealized Gain on Investments	(17,757)
Noncash Contributions and Donated Artwork Received	(50,595)
Changes in Assets and Liabilities:	
Accounts Receivable	(500)
Accounts Payable	4,201
Accrued Scholarships	(49,482)
Accrued Mini Grants	(10,011)
Net Cash Provided by Operating Activities	<u><u>\$ 122,101</u></u>
 NONCASH INVESTMENT ACTIVITIES INCLUDE	
Artwork Donations	<u><u>\$ 50,595</u></u>

See accompanying Notes to Financial Statements.

SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION

The San Diego Mesa College Foundation, Inc. (the Foundation), was formed as a California nonprofit public benefit corporation on June 25, 1976. On April 24, 2014, the Foundation filed amended and restated Articles of Incorporation to update its purpose “to promote the advancement of education through promoting, supporting, maintaining, developing, and extending educational opportunities and the support thereof at, or in connection with San Diego Mesa College.” The Organization’s primary source of income is donations from the public and investment income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Donations, other than cash, or the equivalent of cash (stocks, bonds, etc.), are recorded at estimated fair value at the time of the donation.

Classification of Net Assets

Net Assets – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

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 and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets 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.

Contributions and Donor Restricted Gifts

Contributions, including unconditional promises to give are recognized as revenues in the period the contribution or unconditional promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift. Contributed services are recorded at fair value at the date of the contribution if they are used to create or enhance a nonfinancial asset or require specialized skills, are provided by someone who possess those skills, and would have to be purchased by the Foundation if not donated.

**SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Donor Restricted Gifts (Continued)

The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When a donor's restriction is met within the same year as the donation, the donation is reported as net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are defined as all checking and money market accounts with an original maturity of 90 days or less.

Investments

Investments in 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. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

Other Assets – Artwork Collection

The Foundation has classified its collection of World Culture Collection artwork as a nondepreciable asset used for program support. The majority of artwork is stored at the College and is solely used for educational purposes.

The donated artwork is recorded at the estimated fair value of the piece(s) at the date of donation and are considered restricted contributions.

Functional Allocations of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-Kind Donations

Noncash contributions of goods and materials are recorded at fair value at the date of contribution. Contributed services are recorded at fair value at the date of contribution if they are used to create or enhance a nonfinancial asset or require specialized skills, are provided by someone who possesses those skills, and would have to be purchased by the organization if not donated.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is a nonprofit foundation exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations for generally three and four years, respectively.

Change in Accounting Principle

The Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The update clarified the guidance in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

The Foundation has also early adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Subsequent Events

The Foundation has evaluated subsequent events through May 27, 2021, which is the date these financial statements were available to be issued and determined that there have been no events that have occurred that would require adjustments to the disclosures in the financial statements.

SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts, with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due organizations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by the Finance Committee of the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Finance Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation occasionally has a need to maintain cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against declines in market valuation. As of June 30, 2020 the Foundation had investments in excess of the SIPC insurance amount. The Foundation followed established policies in directing and monitoring the investment management of the Foundation's investments during the year.

NOTE 4 LIQUIDITY AND AVAILABILITY

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

Unrestricted Cash and Cash Equivalents	\$ 126,501
Short-Term Operating Investments	94,031
Total	<u>\$ 220,532</u>

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. As part of the liquidity management plan, the foundation invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

**SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 INVESTMENTS

The Foundation reports certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access 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. The organization’s own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Cash and cash equivalents do not have a level assigned to them.

Investments are presented in the financial statements at their aggregate fair value. The fair value of investments is as follows at June 30, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2
Mutual Funds	\$ 2,010,880	\$ 2,010,880	\$ -
Investment with FCCC	59,195	-	59,195
Total	<u>\$ 2,070,075</u>	<u>\$ 2,010,880</u>	<u>\$ 59,195</u>

**SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 INVESTMENTS (CONTINUED)

Investment return was as follows for the year ended June 30, 2020:

Interest and Dividends	\$ 50,389
Realized Gain on Investments, Net	10,755
Unrealized Gain on Investments, Net	7,002
Total Investment Income	<u>68,146</u>
Investment Expenses	(2,936)
Total Investment Income, Net of Expenses	<u><u>\$ 65,210</u></u>

Realized gains result from the sale of investments above historical cost. Unrealized gains result from the increase in market value of investments held from period to period.

NOTE 6 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC)

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE's assets.

The Foundation has transferred a total of \$52,316 to the FCCC for Osher Scholarships. These funds are invested in a pooled investment fund held by the FCCC (Level 2). At June 30, 2020 the fair value of these pooled investments totaled \$59,195, which consisted of cash of \$2,052, equity securities of \$38,757, and fixed income instruments of \$18,386. A net investment gain of \$963 was recognized during the fiscal year ended June 30, 2020.

Changes in FCCC Net Assets for the Year Ended June 30, 2020

	<u>With Donor Restrictions</u>
Investments with FCCC - Beginning of Year	\$ 61,432
Investment Return:	
Investment Income, Net of Expenses	1,197
Net Realized and Unrealized Gains and Losses	(234)
Total Investment Return	<u>963</u>
Disbursements:	
Fund Distributions	
Total Disbursements	<u>(3,200)</u>
Change in Value, FCCC Investments	<u>(2,237)</u>
Investments with FCCC - End of Year	<u><u>\$ 59,195</u></u>

SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC) (CONTINUED)

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous \$50 million matching commitment from the Osher Foundation and an initial contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at \$1,000 for a school year. For the year ended June 30, 2020, the Foundation received \$25,200 including \$963 in fund distributions from investment returns from the Osher Scholarship Fund.

NOTE 7 FUNCTIONAL EXPENSE

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort.

NOTE 8 ENDOWMENT

The Foundation's endowment consists of various endowments established for scholarships and educational program purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriations for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with UPMIFA, the organization 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 organization and the donor-restricted endowment fund
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 organization
7. The investment policies of the organization

Endowment Net Asset Composition

All endowment net assets are with donor restrictions.

Changes in Endowment Net Assets for the Year Ended June 30, 2020

Endowment Net Assets - July 1, 2019	\$	1,322,014
Contributions		145,329
Investment Return:		
Investment Income, Net of Expenses		36,052
Net Realized and Unrealized Gain (Loss)		<u>13,570</u>
Total Investment Return		49,622
Other Changes:		
Distributions		<u>(37,037)</u>
Total Other Changes		<u>(37,037)</u>
Endowment Net Assets - June 30, 2020	\$	<u><u>1,479,928</u></u>

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy which actively safeguards the assets while maintaining some growth to ensure the donations will provide a benefit to the college and its student population. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board designated funds, if any. During the fiscal year ended June 30, 2020, there were no board designated endowment funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to balance safety of principal, growth of principal and generation of income.

**SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 ENDOWMENT (CONTINUED)

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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's Investment Policy statement requires up to a 2% administrative fee to be charged to the endowment accounts at the fiscal year-end. The desire is to preserve the purchasing power of the assets to meet the future cost of education. The amount available each year for scholarships and other awards (specifically those that are at the discretion of the Foundation) will be reviewed each fiscal year by the Finance Committee. The said amount will be calculated at up to 3% of the total board-designated endowment assets as of the end of the prior fiscal year. The Finance Committee may recommend to the board a difference percent payout for the current fiscal year at its annual review sessions. Such changes will be effective for the current fiscal year only. For donor-restricted endowments, the payout will be calculated based on the corresponding guidance (by the original donor, etc.), where the annual net investment return for the prior year will be the basis for any calculations.

The Foundation's objective is to maintain the purchasing power of the endowed assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to Expenditure for Specific Purpose:	
Scholarships	\$ 165,545
College and Student Assistance	260,191
Assets Held for Specific Purpose:	
World Culture Collection	1,763,969
Subject to Spending Policy and Appropriation:	
Investment in Perpetuity (Including Amounts Above Original Gift Amount of \$964,556), the Income from which is Expendable to Support:	
Scholarship Endowments	966,930
Not Subject to Spending Policy or Appropriations:	
Investments Held with FCCC in Perpetuity (Including Amounts Above Original Gift Amount of \$61,237):	
Osher Scholarships	59,195
Net Assets with Donor Restrictions	<u>\$ 3,728,828</u>

SAN DIEGO MESA COLLEGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 10 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$339,808 were released from temporary donor restrictions during the fiscal year 2019-20. The Foundation met donor imposed restrictions by incurring qualified expenses.

Satisfaction of Purpose Restrictions:

Scholarships	\$ 127,009
College Promise Program	75,000
Other Programs	<u>137,799</u>
Net Assets Released from Restrictions	<u><u>\$ 339,808</u></u>

NOTE 11 RISKS AND UNCERTAINTIES

During the fiscal year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

Specific to the Foundation, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to decreased contributions and donations, grant availability and potential reductions in fundraising activities. Management believes the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

NOTE 12 RELATED PARTIES

The Foundation provides various levels of monetary support and service to the District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The Foundation was organized as an independent organization under California Business Code and has a signed master agreement with the District. The agreement allows the District to provide administrative services to assist the Foundation in carrying out its purpose. The District pays salaries and benefits of the executive director and administrative assistant.

The donated services for the fiscal year ended June 30, 2020 were valued at \$355,076 and were reflected in the financial statements as donated services.

Working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The value of donated facilities has not been determined and is therefore not included in the financial statements; however, management does not believe the amount to be material.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

