

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**(A California Non Profit Corporation)**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**



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**SAN DIEGO MESA COLLEGE FOUNDATION, INC., INC.**  
**(A California Nonprofit Corporation)**

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the San Diego Mesa College Foundation, Inc., Inc. (the Foundation), a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Accounting Standard Update*

As discussed in Note 2 to the financial statements, San Diego Mesa College Foundation adopted the Accounting Standard Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for Profit Entities*. Our auditors' opinion was not modified with respect to that matter to the implementation.



**CliftonLarsonAllen LLP**  
Glendora, California  
May 6, 2020

**SAN DIEGO MESA COLLEGE FOUNDATION, INC., INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

**Assets**

**Current Assets:**

Cash and cash equivalents	\$ 51,831
Investments	1,943,455
<b>Total Current Assets</b>	<u>1,995,286</u>

**Non-Current Assets:**

Investments held with FCCC	61,432
Non-depreciable artwork	1,713,374
<b>Total non-current assets</b>	<u>1,774,806</u>

<b>Total Assets</b>	<u>\$ 3,770,092</u>
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**Liabilities and Net Assets**

**Current Liabilities:**

Accrued scholarships	\$ 54,035
Accrued mini grants	12,942
<b>Total Current Liabilities</b>	<u>66,977</u>

**Net Assets:**

Without donor restrictions	225,676
With donor restrictions	3,477,439
<b>Total Net Assets</b>	<u>3,703,115</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,770,092</u>

See accompanying notes to the financial statements.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC., INC.**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Contributions and gifts	\$ 14,558	\$ 403,240	\$ 417,798
Donated services	227,755		227,755
In-kind donations		240,565	240,565
Investment income, net of expense	10,830	115,185	126,015
<b>Total Support and Revenues</b>	253,143	758,990	1,012,133
 Total revenues before net assets released from restrictions	 253,143	 758,990	 1,012,133
Net assets released from restrictions	501,181	(501,181)	-
<b>Total Support and Revenues</b>	754,324	257,809	1,012,133
 <b>Operating Expenses</b>			
Program services			
Student and campus support	672,918		672,918
Supporting services			
Management and general	20,979		20,979
<b>Total Expenses</b>	693,897	-	693,897
 <b>Change in net assets</b>	60,427	257,809	318,236
 <b>Net Assets</b>			
Beginning of the year	165,249	3,219,630	3,384,879
End of the year	\$ 225,676	\$ 3,477,439	\$ 3,703,115

See accompanying notes to the financial statements.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2019**

<b>Cash flows from operating activities</b>	
Cash received from donations and contributions	\$ 418,113
Cash paid for program support	(248,547)
Payments to suppliers	(20,979)
Payments to/on behalf of students for scholarships	(169,086)
Cash received from dividends and interest	<u>50,471</u>
Net cash provided by operating activities	<u>29,972</u>
 <b>Cash flows from investing activities</b>	
Reinvested interest and dividends, net of expenses	<u>(74,326)</u>
Net cash used by investing activities	<u>(74,326)</u>
 <b>Cash flows from financing activities</b>	
Addition to endowment, net	<u>23,293</u>
Net cash provided by financing activities	<u>23,293</u>
 Net decrease in cash and cash equivalents	 (21,061)
 Cash and cash equivalents, beginning of year	 <u>72,892</u>
 Cash and cash equivalents, end of year	 <u>\$ 51,831</u>
 <b>Reconciliation of change in net assets to cash provided (used) by operating activities</b>	
Change in net assets	\$ 318,236
Adjustment to reconcile change in net assets to cash provided (used) by operating activities	
Unrealized gain (loss) on investments	(75,544)
Non-cash contributions and donated artwork received	(240,250)
Change in operating liabilities - increase/(decrease):	
Accrued scholarships	23,285
Accrued mini grants	<u>4,245</u>
Net cash provided by operating activities	<u>\$ 29,972</u>
 <b>Non-cash investment activities include:</b>	
Artwork donations	<u>\$ 240,250</u>

See accompanying notes to the financial statements.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019**

	Program Services -		
	Student and Campus Support	Management and General	Total
Donated services	\$ 227,755		\$ 227,755
Scholarships and grants	169,086		169,086
College promise program	75,000		75,000
Professional services	24,066		24,066
Equipment	3,651	126	3,777
Information technology	231	3,816	4,047
Conference and meetings	38,113	691	38,804
College support	106,239		106,239
Hospitality		3,037	3,037
Supplies	5,311	748	6,059
Other expenses	23,466	12,561	36,027
	\$ 672,918	\$ 20,979	\$ 693,897

See accompanying notes to the financial statements.



# SAN DIEGO MESA COLLEGE FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended June 30, 2019

### **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

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

at fair value at the date of the contribution if they are used to create or enhance a non-financial 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.

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 non-depreciable 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.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**In-Kind Donations**

Non-cash 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 non-financial 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.

**Income Taxes**

The Foundation is a non-profit 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**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Non-for-Profit Entities. The update addressed 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.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Foundation has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

**Subsequent Events**

The Foundation has evaluated subsequent events through May 6, 2020, which is the date these financial statements were available to be issued. Subsequent to year end, 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 2020 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 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).

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 3: CONCENTRATION OF CREDIT RISK**

**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, 2019 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	\$ 51,831
Short term operating investments	173,845
	<u>\$ 225,676</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.

**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:

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 5: INVESTMENTS**

- 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 at June 30, 2019, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual Funds	\$ 1,943,455	\$ 1,943,455	\$ -
Investment with FCCC	61,432	-	61,432
Total	\$ 2,004,887	\$ 1,943,455	\$ 61,432

Investment return for the year ended June 30, 2019 was as follows:

Interest and dividends	\$ 67,420
Realized gain on investments, net	654
Unrealized gain on investments, net	62,074
Total investment income	130,148
Investment expenses	(4,133)
Total investment income, net of expenses	\$ 126,015

Realized losses result from the sale of investments below historical cost. Unrealized losses result from the decline 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

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

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

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, 2019 the fair value of these pooled investments totaled \$61,432, which consisted of cash of \$1,293, equity securities of \$41,376, and fixed income instruments of \$18,763. A net investment gain of \$0 was recognized during year ended June 30, 2019.

**Changes in FCCC Net Assets for the Year Ended June 30, 2019**

	<u>With Donor Restrictions</u>
Investments with FCCC, beginning of year	\$ 61,432
Investment return:	
Investment income, net of expenses	1,332
Net realized and unrealized gain	1,793
Total investment return	<u>3,125</u>
Disbursements	
Fund distributions	
Total disbursements	<u>(3,125)</u>
Change in value, FCCC investments	<u>-</u>
Investments with FCCC, end of year	<u>\$ 61,432</u>

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, 2019, the Foundation received \$24,200 including \$2,933 in fund distributions from investment returns from the Osher Scholarship Fund.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**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.

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



**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 8: ENDOWMENT**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 838,048	\$ 838,047.87
Board-designated	483,966	-	483,966
	<u>\$ 483,966</u>	<u>\$ 838,048</u>	<u>\$ 1,322,014</u>

**Changes in Endowment Net Assets for the Year Ended June 30, 2019**

Endowment net assets, July 1, 2018	\$ 1,259,234
Contributions	23,293
Investment return:	
Investment income, net of expenses	32,710
Net depreciation (realized and unrealized)	53,363
Total investment return	<u>86,073</u>
Other changes:	
Distributions	(46,586)
Total other changes	<u>(46,586)</u>
Endowment net assets, June 30, 2019	<u>\$ 1,322,014</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. 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.

**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.

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 8: ENDOWMENT**

**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 three (3) percent 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.

<b>Subject to expenditure for specific purpose:</b>	
Scholarships	\$ 171,917
College and student assistance	208,387
<b>Assets held for specific purpose:</b>	
World Culture Collection	1,713,374
<b>Subject to spending policy and appropriation:</b>	
Investment in perpetuity (including amounts above original gift amount of \$876,835), the income from which is expendable to support:	
Scholarship endowments	484,281
<b>Not subject to spending policy or appropriations:</b>	392,869
Investments held with FCCC in perpetuity (including amounts above original gift amount of \$61,237):	
Osher scholarships	61,432
<b>Net assets with donor restrictions</b>	<u><u>\$ 3,477,439</u></u>

**SAN DIEGO MESA COLLEGE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2019**

**NOTE 10: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets of \$501,181 were released from temporary donor restrictions during the fiscal year 2018-19. The Foundation met donor imposed restrictions by incurring qualified expenses.

**Satisfaction of Purpose Restrictions:**

Scholarships	\$	169,086
College promise program		75,000
Other programs		257,095
<b>Net assets released from restrictions</b>	<b>\$</b>	<b>501,181</b>

**NOTE 11: 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, 2019 were valued at \$227,755 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. | CliftonLarsonAllen LLP

