



Financial Statements
June 30, 2020 and 2019

Mt. San Jacinto Community College Foundation

Mt. San Jacinto Community College Foundation

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June 30, 2020 and 2019

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Independent Auditor's Report

The Board of Directors
Mt. San Jacinto Community College Foundation
San Jacinto, California

Report on the Financial Statements

We have audited the accompanying financial statements of Mt. San Jacinto Community College Foundation (the Foundation), 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Mt. San Jacinto Community College 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.

Other Matter

The financial statements of the Foundation as of June 30, 2019, were audited by other auditors, whose report dated September 28, 2019, expressed an unmodified opinion on those statements.

Eide Bailly LLP

Rancho Cucamonga, California
February 1, 2021

Mt. San Jacinto Community College Foundation
 Statements of Financial Position
 June 30, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,136,934	\$ 1,124,656
Student loan receivable	800	600
Accounts receivable	4	210
Prepaid expenses	-	1,000
Total current assets	1,137,738	1,126,466
Noncurrent assets		
Beneficial interest in assets held by the Inland Empire Community Foundation	3,151,804	3,304,980
Total assets	\$ 4,289,542	\$ 4,431,446
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,515	\$ -
Due to Mt San Jacinto Community College District	82,769	55,653
Total current liabilities	84,284	55,653
Net Assets		
Without donor restrictions	538,788	572,475
With donor restrictions	3,666,470	3,803,318
Total net assets	4,205,258	4,375,793
Total liabilities and net assets	\$ 4,289,542	\$ 4,431,446

Mt. San Jacinto Community College Foundation
 Statements of Activities
 Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 86,267	\$ 386,655	\$ 472,922
In-kind donations	5,517	-	5,517
Fundraising	66,645	-	66,645
Miscellaneous income	57,860	100	57,960
Assets released from restrictions	487,278	(487,278)	-
Total revenues	703,567	(100,523)	603,044
Expenses			
Program	592,830	-	592,830
Operating	116,462	-	116,462
Fundraising	25,728	-	25,728
Total expenses	735,020	-	735,020
Other Income (Expense)			
Change in value of beneficial interest in assets held by the Inland Empire Community Foundation	(2,234)	(36,325)	(38,559)
Transfers	-	-	-
Change in Net Assets	(33,687)	(136,848)	(170,535)
Net Assets, Beginning of Year	572,475	3,803,318	4,375,793
Net Assets, End of Year	\$ 538,788	\$ 3,666,470	\$ 4,205,258

Mt. San Jacinto Community College Foundation
 Statements of Activities
 Year Ended June 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 106,136	\$ 629,930	\$ 736,066
In-kind donations	-	-	-
Fundraising	101,515	-	101,515
Miscellaneous income	59,506	200	59,706
Assets released from restrictions	558,519	(558,519)	-
Total revenues	<u>825,676</u>	<u>71,611</u>	<u>897,287</u>
Expenses			
Program	650,250	-	650,250
Operating	94,892	-	94,892
Fundraising	86,321	-	86,321
Total expenses	<u>831,463</u>	<u>-</u>	<u>831,463</u>
Other Income (Expense)			
Change in value of beneficial interest in assets held by the Inland Empire Community Foundation	8,477	124,640	133,117
Transfers	(4,094)	4,094	-
Change in Net Assets	(1,404)	200,345	198,941
Net Assets, Beginning of Year	<u>573,879</u>	<u>3,602,973</u>	<u>4,176,852</u>
Net Assets, End of Year	<u>\$ 572,475</u>	<u>\$ 3,803,318</u>	<u>\$ 4,375,793</u>

Mt. San Jacinto Community College Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2020

	2020			Total
	Program	Management and General	Fundraising	
Testing Programs - RN	\$ -	\$ -	\$ -	\$ -
Non-Instructional Supplies	46,079	23,406	3,157	72,642
Uniforms, Clothing, Costumes	15,871	2,174	-	18,045
Food Expense	3,502	1,225	4,874	9,601
Bad Debt Expense	(200)	-	-	(200)
Postage	9	-	-	9
Contracted Services	32,249	37,948	5,849	76,046
Foundation Management Fee Expense	15,228	-	327	15,555
Entry Fee Expense	2,415	-	-	2,415
Mileage Expense	-	108	-	108
Other Travel Expense	-	-	-	-
Conferences	1,000	5,622	-	6,622
Student Travel Expenses	873	-	366	1,239
Dues Memberships Expense	3,165	4,315	-	7,480
Liability Insurance Expense	-	-	-	-
Advertising	855	-	495	1,350
Donation Expense	1,000	14,950	-	15,950
Rent Expense	-	-	4,043	4,043
Bank Charges	31,451	354	-	31,805
Prizes Awards Expense	787	1,712	897	3,396
Other Services	-	554	-	554
Credit Charges	1,902	694	203	2,799
Student Financial Scholarship Expense	434,774	4,115	-	438,889
In-Kind Contributions	-	-	5,517	5,517
Miscellaneous	1,870	19,285	-	21,155
	<u>\$ 592,830</u>	<u>\$ 116,462</u>	<u>\$ 25,728</u>	<u>\$ 735,020</u>
Total expenses	<u>\$ 592,830</u>	<u>\$ 116,462</u>	<u>\$ 25,728</u>	<u>\$ 735,020</u>

Mt. San Jacinto Community College Foundation
 Statements of Functional Expenses
 Year Ended June 30, 2019

	2019			Total
	Program	Management and General	Fundraising	
Testing Programs - RN	\$ 5,100	\$ -	\$ -	\$ 5,100
Non-Instructional Supplies	17,681	7,633	10,951	36,265
Uniforms, Clothing, Costumes	17,231	-	3,114	20,345
Food Expense	4,441	4,955	7,589	16,985
Bad Debt Expense	-	-	-	-
Postage	-	447	-	447
Contracted Services	34,910	54,669	42,626	132,205
Foundation Management Fee Expense	13,624	-	86	13,710
Entry Fee Expense	3,779	1,975	-	5,754
Mileage Expense	-	-	76	76
Other Travel Expense	1,287	596	-	1,883
Conferences	558	10	-	568
Student Travel Expenses	630	-	1,460	2,090
Dues Memberships Expense	5,820	571	-	6,391
Liability Insurance Expense	-	156	665	821
Advertising	686	5,223	495	6,404
Donation Expense	-	-	-	-
Rent Expense	2,100	-	2,120	4,220
Bank Charges	31,552	358	862	32,772
Prizes Awards Expense	3,398	8,701	1,888	13,987
Other Services	-	-	-	-
Credit Charges	1,831	576	650	3,057
Student Financial Scholarship Expense	505,622	8,250	7,000	520,872
In-Kind Contributions	-	-	-	-
Miscellaneous	-	772	6,739	7,511
	<u>\$ 650,250</u>	<u>\$ 94,892</u>	<u>\$ 86,321</u>	<u>\$ 831,463</u>
Total expenses	<u>\$ 650,250</u>	<u>\$ 94,892</u>	<u>\$ 86,321</u>	<u>\$ 831,463</u>

Mt. San Jacinto Community College Foundation
 Statements of Cash Flows
 Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (170,535)	\$ 198,941
Adjustments to reconcile change in net assets		
To net cash flows from operating activities		
Contributions restricted for long-term purposes	(386,656)	(629,930)
Changes in assets and liabilities		
Accounts receivable	206	18,761
Student loans	(200)	150
Prepaid expenses	1,000	(1,000)
Accounts payable	1,515	(566)
Due to other related parties	27,116	18,055
Beneficial interest in assets held by the Inland Empire Community Foundation	153,176	557,704
Net cash flows from operating activities	(374,378)	(395,589)
Cash Flows from Financing Activities		
Collections of contributions restricted for long-term purposes	386,656	629,930
Net Increase in Cash and Cash Equivalents	12,278	162,115
Cash and Cash Equivalents, Beginning of Year	1,124,656	962,541
Cash and Cash Equivalents, End of Year	\$ 1,136,934	\$ 1,124,656

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

The Mt. San Jacinto Community College Foundation (the Foundation) is a California nonprofit auxiliary organization of the Mt. San Jacinto Community College District (the District), a California public community college located in San Jacinto, California. The Foundation's main purpose is to support the students and educational programs of the District. The Foundation was incorporated in the State of California in April 1998 and is a Voluntary Health and Welfare Organization.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Foundation is required to present a statement of cash flows. The Foundation does not use fund accounting. Revenues and expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Foundation and the District are financial interrelated organizations as defined by Accounting Standards Codification (ASC) Topic 958-605, *Transfers of Assets to a Nonprofit or Charitable Trust that Holds Contributions for Others*. Under ASC Topic 958-605, the Foundation reflects contributions received for the benefit of the District as revenue in its financial statements. The expenses related to these contributions are accounted for under program and supporting services.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis. Certain reclassifications have been made to conform with the current year presentation.

Net Asset Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset types established according to their nature and purpose. Separate accounts are maintained for each net asset type; however, in the accompanying financial statements, net asset types that have similar characteristics have been combined into groups as follows:

- Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions represents all resources over which the Board of Directors has discretionary control for use in operating the Foundation.
- Net Assets With Donor Restrictions - Net assets that are contributions and endowment investment earnings 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 restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in 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 to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Support and Expenses

The Foundation receives substantially all of its revenue from direct donations, pledges, and corporate grants. Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Realized gains/losses and unrealized gains/losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as assets released from restriction between the applicable classes of net assets.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Student Loans Receivable

Allowance for uncollectable student loans receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At June 30, 2020 and 2019, the allowance was \$0 and \$200, respectively. At June 30, 2020, management has determined all student loans receivable are fully collectible. Accounts receivable are written off when deemed uncollectable.

Property and Equipment

For equipment, the Foundation capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Depreciation for equipment and leasehold improvements is computed on a straight-line basis over an estimated useful life of three to five years.

Beneficial Interest in Assets Held by Community Foundation

During 2015, the Foundation established an endowment fund that is perpetual in nature (the Fund) under a community foundation's (the CF) Agency Endowment Funds program and named the Foundation as beneficiary. The Foundation granted variance power to the CF, which allows the CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CF for the Foundation's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. The expenses are generally directly attributable to a functional category with no significant allocations between program and supporting services activities occurring.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Foundation is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b) (A) (vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code.

The Foundation has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain and, accordingly, no accounting adjustment has been made to the financial statements.

The Foundation's Federal informational tax returns for the years ended June 30, 2017, 2018, and 2019, are open to audit by the Federal authorities. California State informational returns for the years ended June 30, 2016, 2017, 2018, and 2019, are open to audit by State authorities.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$1,350 and \$6,404 during the years ended June 30, 2020 and 2019, respectively.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of ASU 2016-02 on the Foundation's financial statements has not yet been determined, the future adoption of this guidance will require the Foundation to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Foundation for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Foundation for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Foundation has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 includes a second provision for entities that serve as a resource provider and are making contributions to other organizations. This portion of the standard has a later implementation date and is effective for entities with annual periods beginning after December 15, 2019, and will be implemented at that time. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

Note 2 - 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 comprise of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,136,934	\$ 1,124,656
Student loan receivables	800	600
Accounts receivable	<u>4</u>	<u>210</u>
Total financial assets available within one year	<u>\$ 1,137,738</u>	<u>\$ 1,125,466</u>

Liquidity Management

To manage liquidity, the Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. District staff on behalf of the Foundation management monitor daily cash balances, expenditures, and the budget.

Note 3 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the financial statements. 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 can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the Foundation. These are considered to be Level 3 measurements.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2020. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2020.

	<u>Level 3</u>	<u>Total</u>
Assets		
Beneficial Interest		
in assets held by the Inland Empire		
Community Foundation	<u>\$ 3,151,804</u>	<u>\$ 3,151,804</u>

The following table presents the balances of the assets measured at fair value on a recurring basis as of June 30, 2019. The Foundation did not have any liabilities measured at fair value on a recurring basis as of June 30, 2019.

	<u>Level 3</u>	<u>Total</u>
Assets		
Beneficial Interest		
in assets held by the Inland Empire		
Community Foundation	<u>\$ 3,304,980</u>	<u>\$ 3,304,980</u>

Mt. San Jacinto Community College Foundation

Notes to Financial Statements

June 30, 2020 and 2019

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

	Level 3
Balance, beginning of year	\$ 3,304,980
Investment return, net	(40,252)
Distributions	(82,688)
Fees	(30,236)
Balance, end of year	\$ 3,151,804

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Level 3
Balance, beginning of year	\$ 3,232,754
Investment return, net	133,117
Distributions	(28,119)
Fees	(32,772)
Balance, end of year	\$ 3,304,980

Note 4 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	2020	2019
Furniture and equipment	\$ 29,346	\$ 29,346
Less accumulated depreciation	(29,346)	(29,346)
	\$ -	\$ -

Depreciation expense for the years ended June 30, 2020 and 2019, was \$0 and \$0, respectively.

Note 5 - Net Assets with Donor Restrictions

Donor-restricted net assets with time and/or purpose restrictions consist of the following as of June 30, 2020 and 2019:

	2020	2019
Endowments - accumulated and unspent earnings	\$ 601,807	\$ 686,707
Scholarships	1,826,739	1,878,687
	\$ 2,428,546	\$ 2,565,394

Donor restricted net assets with perpetual restrictions consist of the following at June 30, 2020:

	2020	2019
Endowed scholarships	\$ 1,237,924	\$ 1,237,924

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Scholarships	\$ 433,778	\$ 505,321
Educational programs	53,500	53,198
	\$ 487,278	\$ 558,519

Note 6 - Endowments

The Foundation's endowment consists of approximately 107 individual funds established by donors to provide annual funding for specific activities and general operations. Its endowment includes both donor-restricted endowment funds that the Foundation must hold in perpetuity, or for a donor-specified period, as well as funds designated by the Board of Directors to function as endowments (funds designated). As required by GAAP, 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. Funds designated consist of non-endowed, donor-restricted gifts that are unable to be spent in the near term and have been designated by the Board of Directors to be treated as endowments.

The Board of Directors 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 date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any 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 appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2020, endowment net asset composition by type of fund is as follows:

	<u>With Donor Restrictions</u>
Board-designated endowment funds	\$ 2,428,546
Donor-restricted endowment funds	<u>1,237,924</u>
	<u>\$ 3,666,470</u>

As of June 30, 2019, endowment net asset composition by type of fund is as follows:

	<u>With Donor Restrictions</u>
Board-designated endowment funds	\$ 2,565,394
Donor-restricted endowment funds	<u>1,237,924</u>
	<u>\$ 3,803,318</u>

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). In accordance with accounting principles generally accepted in the United States of America, there were no deficiencies of this nature reported as of June 30, 2020, and 2019, respectively.

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 3,803,318
Contributions	386,655
Investment income	(36,225)
Amounts appropriated for expenditures	<u>(487,278)</u>
Endowment net assets, end of year	<u>\$ 3,666,470</u>

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

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 3,602,973
Contributions	630,130
Investment income	124,640
Transfers of investment to unrestricted	4,094
Amounts appropriated for expenditures	<u>(558,519)</u>
Endowment net assets, end of year	<u>\$ 3,803,318</u>

Risk Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. In order to meet its needs, the investment strategy of the Foundation is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested to meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee that most closely corresponds to the style of investment management. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately four percent annually. Actual returns in any given year may vary from this amount.

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 within prudent risk constraints.

Spending Policy

The Foundation may distribute up to 40 percent of accrued interest annually from scholarship endowments for intended scholarship awards. In establishing this policy, the Foundation considered the long-term expected return on its endowment and the need to maintain some investment income in reserve to plan for the potential of scholarship awards exceeding investment income.

Note 7 - Related Party Transactions

Mt. San Jacinto Community College District

The Foundation provides various levels of monetary support and service to the District departments and programs, as well as scholarships for students. The District provides office space and other support to the Foundation. The District support is not recognized in the statement of activities, as there is no basis for the noncash contributions. The Foundation provided \$434,774 to the District for student scholarships and \$4,115 for program support during the year ended June 30, 2020. Accordingly, at June 30, 2020 and 2019, respectively, the Foundation owed the District \$82,769 and \$55,653 for all services.

Note 8 - Subsequent Events

The Foundation's management has evaluated events or transactions from June 30, 2020, through February 1, 2021, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that require additional disclosure in the Foundation's financial statements.

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide COVID-19 pandemic. The Foundation is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Foundation's financial position is not known.