

**SANTA MONICA COLLEGE
FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

SANTA MONICA COLLEGE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Monica College Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Monica College Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2021, 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 the Foundation as of June 30, 2021, 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.

To the Board of Directors
Santa Monica College Foundation

Report on Summarized Comparative Information

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 2, 2021
Los Angeles, California

SANTA MONICA COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2021
With Summarized Totals at June 30, 2020

ASSETS	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash and Cash Equivalents	\$ 744,739	\$ -	\$ 744,739	\$ 653,109
Investments	2,299,804	31,106,187	33,405,991	26,204,980
Pledges and Other Receivables	-	634,331	634,331	95,933
Prepaid Expenses and Other Assets	35,693	-	35,693	27,636
Beneficial Interest in Charitable Remainder Trust	-	12,303	12,303	16,560
Beneficial Interest in FCCC	-	1,143,632	1,143,632	942,238
TOTAL ASSETS	\$ 3,080,236	\$ 32,896,453	\$ 35,976,689	\$ 27,940,456
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Expenses	\$ 156,308	\$ -	\$ 156,308	\$ 148,631
Note Payable	-	-	-	47,125
TOTAL LIABILITIES	156,308	-	156,308	195,756
NET ASSETS				
Without Donor Restrictions	2,923,928	-	2,923,928	1,630,492
With Donor Restrictions	-	32,896,453	32,896,453	26,114,208
TOTAL NET ASSETS	2,923,928	32,896,453	35,820,381	27,744,700
TOTAL LIABILITIES AND NET ASSETS	\$ 3,080,236	\$ 32,896,453	\$ 35,976,689	\$ 27,940,456

The Accompanying Notes are an Integral Part of These Financial Statements

SANTA MONICA COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE, PUBLIC SUPPORT AND OTHER INCOME:				
Investment Return (Net)	\$ 841,377	\$ 6,545,981	\$ 7,387,358	\$ 1,266,209
Contributions	596,500	3,041,821	3,638,321	2,949,963
In-Kind Contributions	393,995	40,279	434,274	479,360
Forgiveness of Note Payable	47,623	-	47,623	-
TOTAL REVENUE, PUBLIC SUPPORT AND OTHER INCOME	1,879,495	9,628,081	11,507,576	4,695,532
Net Assets Released from Donor Restrictions	2,845,836	(2,845,836)	-	-
TOTAL REVENUE, PUBLIC SUPPORT AND OTHER INCOME AND NET ASSETS RELEASED FROM RESTRICTIONS	4,725,331	6,782,245	11,507,576	4,695,532
EXPENSES:				
Program Services:				
Santa Monica College Departmental Support	2,043,492	-	2,043,492	1,658,826
Student Scholarships	544,693	-	544,693	449,605
TOTAL PROGRAM SERVICES	2,588,185	-	2,588,185	2,108,431
Support Services:				
Management and General	395,786	-	395,786	401,877
Development	447,924	-	447,924	393,864
TOTAL SUPPORT SERVICES	843,710	-	843,710	795,741
TOTAL EXPENSES	3,431,895	-	3,431,895	2,904,172
CHANGE IN NET ASSETS	1,293,436	6,782,245	8,075,681	1,791,360
Net Assets - Beginning of Year	1,630,492	26,114,208	27,744,700	25,953,340
NET ASSETS - END OF YEAR	\$ 2,923,928	\$ 32,896,453	\$ 35,820,381	\$ 27,744,700

The Accompanying Notes are an Integral Part of These Financial Statements

SANTA MONICA COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	2021							2020 Total Expenses
	Program Services			Support Services				
	Santa Monica College Departmental Support	Student Scholarships	Total Program Services	Management and General	Development	Total Support Services	Total Expenses	
Salaries and Benefits	\$ 183,369	\$ -	\$ 183,369	\$ 275,053	\$ 305,615	\$ 580,668	\$ 764,037	\$ 879,763
Santa Monica College Program Expense	1,779,635	-	1,779,635	-	-	-	1,779,635	1,279,518
Student Scholarships	-	544,693	544,693	-	-	-	544,693	449,605
Contracted Services	38,249	-	38,249	57,373	63,748	121,121	159,370	50,591
Computer Support	12,284	-	12,284	18,426	20,473	38,899	51,183	73,789
Office Expenses	10,166	-	10,166	15,251	16,944	32,195	42,361	41,250
Occupancy	8,640	-	8,640	12,960	14,400	27,360	36,000	36,000
Professional Fees	7,644	-	7,644	11,466	12,740	24,206	31,850	28,551
Printing	2,869	-	2,869	4,304	4,782	9,086	11,955	25,543
Donor Relations and Special Events	-	-	-	-	8,163	8,163	8,163	26,577
Conferences and Training	636	-	636	953	1,059	2,012	2,648	12,985
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 2,043,492</u>	<u>\$ 544,693</u>	<u>\$ 2,588,185</u>	<u>\$ 395,786</u>	<u>\$ 447,924</u>	<u>\$ 843,710</u>	<u>\$ 3,431,895</u>	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 1,658,826</u>	<u>\$ 449,605</u>	<u>\$ 2,108,431</u>	<u>\$ 401,877</u>	<u>\$ 393,864</u>	<u>\$ 795,741</u>		<u>\$ 2,904,172</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SANTA MONICA COLLEGE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

With Summarized Totals for the Year Ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 8,075,681	\$ 1,791,360
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Gain on Investments	(6,588,727)	(553,880)
Contributed Stock	(63,226)	(104,382)
Change in Value of Beneficial Interest in Charitable Remainder Trust	4,257	8,436
Change in Value of Beneficial Interest in FCCC	(249,394)	(8,152)
Contributions Restricted for Investment in Perpetuity	(267,833)	(572,510)
Forgiveness of Note Payable	(47,125)	-
(Increase) Decrease in:		
Pledges and Other Receivables	(538,398)	(4,483)
Prepaid Expenses and Other Assets	(8,057)	30,498
Increase (Decrease) in Accounts Payable and Accrued Expenses	7,677	(332,034)
NET CASH PROVIDED BY OPERATING ACTIVITIES	324,855	254,853
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends Reinvested	(645,599)	(810,513)
Proceeds on Sale of Investments	18,716,293	11,153,797
Purchase of Investments	(18,619,752)	(11,047,463)
Distributions from FCCC	48,000	48,000
NET CASH USED IN INVESTING ACTIVITIES	(501,058)	(656,179)
CASH PROVIDED BY FINANCING ACTIVITIES:		
Contributions Restricted for Investment in Perpetuity	267,833	572,510
Proceeds from Note Payable	-	47,125
NET CASH PROVIDED BY FINANCING ACTIVITIES	267,833	619,635
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,630	218,309
Cash and Cash Equivalents - Beginning of Year	653,109	434,800
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 744,739	\$ 653,109

The Accompanying Notes are an Integral Part of These Financial Statements

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 - NATURE OF ORGANIZATION

Santa Monica College Foundation (the Foundation) is a nonprofit organization established in 1956 that serves as an auxiliary organization to Santa Monica Community College (the College), with a goal of furthering the purposes and objectives of the College. The Foundation's main function is to administer the receipt and disbursement of gifts, grants, contracts, bequests, and trusts from various donors to different departments of the College. The Foundation also assists the College in various activities, including accumulation and management of student scholarship funds and related endowments, and administration of funds for various educational related functions, special programs, and other activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

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

(b) NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed 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.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents approximates its fair value at June 30, 2021.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS (continued)

The Foundation maintains its cash and cash equivalents in bank deposit and other investment accounts, which may, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundation's Board of Directors. These guidelines provide for investments in equities, fixed income and other securities with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by the Foundation.

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues when received. The Foundation reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 met. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable, and are adjusted annually.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE (continued)

At June 30, 2021, there was \$538,331 of pledge receivables included in pledges and other receivables, and the remaining balance of \$96,000 is a receivable from FCCC. The Foundation evaluated the collectability of receivables and no allowance for uncollectible receivables was deemed necessary.

(f) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Foundation has been designated as the beneficiary of assets held in a charitable remainder trust administered by another trustee. The Foundation has recognized restricted contribution revenue and a receivable which represents the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trust.

(g) NOTE PAYABLE

The Foundation has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. Additional interest at a market rate (due to the stated interest rate of the PPP loan being below market) is not imputed, as transactions where interest rates are prescribed by governmental agencies are excluded from the scope of the accounting guidance on imputing interest. The proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Foundation has been 'legally released' or (2) the Foundation repays the loan to the lender.

(h) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2021, the Foundation recorded in-kind contributions from the College of the following:

Salaries	\$ 357,995
Occupancy	36,000
Other	40,279
TOTAL	\$ 434,274

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) SCHOLARSHIPS

Scholarships require recipients to be a student of the College and compliant with the terms of their respective scholarship agreement. The Foundation recognizes scholarship expense upon the recipients meeting the requirements for scholarship awarded. The payment of the scholarships may not necessarily occur in the same year. Scholarships awarded and qualified but unpaid at June 30, 2021 amounted to \$45,475 which is included in accounts payable and accrued expenses and is expected to be paid within the next year. In addition, the Foundation has awarded scholarships totaling \$256,450 which are still pending for proof of verification for eligibility criteria.

At times, the Foundation receives funding from third parties to disburse to designated students pending their fulfillment of scholarship requirements. In those situations, the Foundation acts as an agent to those third parties, and records funds received, but not yet paid out, as liabilities. Such undisbursed funds amounted to \$32,321 at June 30, 2021, which is also included in accounts payable and accrued expenses and is expected to be paid within the next year.

(j) INCOME TAXES

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue Code, and is exempt from federal and state taxes.

In accordance with the Financial Accounting Standards Board's (FASB's) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, the Foundation recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2021, the Foundation performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(k) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Foundation's programs and other activities have been presented in the statement of functional expenses. Indirect or shared costs are allocated among program and support services by the method that best measures the relative degree of benefit. The Foundation uses proportional salary dollars to allocate indirect costs.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(m) COMPARATIVE TOTALS

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

(n) NEW ACCOUNTING PRONOUNCEMENTS

In August 2018, FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which simplifies the fair value disclosures of private companies. The Foundation implemented the ASU during the year ended June 30, 2021.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For the Foundation, the ASU will be effective for the year ending June 30, 2022.

(o) SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2021 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 2, 2021, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE 3 - INVESTMENTS

Investments at fair market value consist of the following at June 30, 2021:

Mutual Funds and Exchange Traded Funds - Equity	\$ 22,208,723
Mutual Funds and Exchange Traded Funds - Fixed Income	10,782,944
Common Stocks	239,522
Cash and Cash Equivalents	<u>174,802</u>
TOTAL INVESTMENTS	<u>\$ 33,405,991</u>

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST

The Foundation has been named the remainder beneficiary of a charitable remainder unitrust. The trust agreement requires periodic payments to the donors calculated at specified investment returns on the original invested contribution. Upon the donors' deaths, the assets of the trust will be distributed to the Foundation and utilized in the manner prescribed by the donors in the trust documents.

NOTE 5 - BENEFICIAL INTEREST IN FCCC

In June 2009, the Foundation entered into a partnership agreement with the Foundation for California Community Colleges (FCCC) to participate in a matching gift program of its California Community Colleges Scholarship Endowment (CCCSE). Since June 2010, the Foundation has made irrevocable contributions of \$811,502 to CCCSE and in return, the Foundation has been credited with a 50% match of principal from monies received from a third party donor to CCCSE, as well as participation in another portion of the third party donor's gift to CCCSE. The Foundation is to receive annual payments of approximately 5% from the combined endowment principal, as well as an annual supplemental gift from the other pool of assets designated. All distributions from CCCSE are restricted to fund scholarships. Activity related to the Foundation's beneficial interest for the year ended June 30, 2021 is as follows:

Balance at July 1, 2020	\$ 942,238
Realized and Unrealized Gains	232,864
Interest and Dividends Reinvested	19,937
Investment Management Fees	(3,407)
Scholarship Distributions to Foundation	<u>(48,000)</u>
BALANCE AT JUNE 30, 2021	<u>\$ 1,143,632</u>

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE 5 - BENEFICIAL INTEREST IN FCCC (continued)

Support and revenue recognized by the Foundation from its participation in CCCSE for the year ended June 30, 2021 is as follows:

Net Investment Income as Noted Above	\$	249,394
FCCC Contribution from 50% Match Account		25,200
TOTAL SUPPORT AND REVENUE	\$	274,594

At June 30, 2021, receivables for declared scholarship distributions from FCCC totaling \$96,000 were included in pledges and other receivables. \$48,000 of the receivables is expected to be collected during the year ending June 30, 2022, and the remaining \$48,000 during the year ending June 30, 2023.

NOTE 6 - FAIR VALUE MEASUREMENTS

The Foundation has implemented the fair value accounting standard. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices in active markets, interest rates and yield curves. Fair values determined by Level 3 utilize unobservable inputs for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about the Foundation's assets that are measured at fair value on a recurring basis at June 30, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 33,405,991	\$ 33,405,991	\$ -	\$ -
Beneficial Interest in FCCC	1,143,632	-	-	1,143,632
Beneficial Interest in Charitable Remainder Trust	12,303	-	-	12,303
TOTALS	\$ 34,561,926	\$ 33,405,991	\$ -	\$ 1,155,935

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year. These investments consist of mutual funds, exchange traded funds and common stocks that can be redeemed daily.

The fair values of the beneficial interests in the charitable remainder trust and FCCC within Level 3 were determined as described in Notes 4 and 5.

The table below sets forth a summary of contributions and distributions of the Foundation's Level 3 assets during the year ended June 30, 2021:

	Beneficial Interest in FCCC	Beneficial Interest in Charitable Remainder Trust	Total
Contributions	\$ -	\$ -	\$ -
Distributions	(48,000)	(6,500)	(54,500)

NOTE 7 - FORGIVENESS OF NOTE PAYABLE

In May 2020, the Foundation received a PPP loan in the amount of \$47,125. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If the Foundation does not apply for forgiveness within 10 months after the last day of the covered period, such payments will be due that month. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

In May 2021, the Foundation submitted its application for forgiveness for the full amount of the PPP loan. On May 28, 2021, full forgiveness of the loan and interest were granted. Accordingly, the Foundation recognized income from forgiveness of note payable for the amount of \$47,623 for the year ended June 30, 2021.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS June 30, 2021

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following at June 30, 2021:

Endowment Funds	\$ 11,739,319
Donor-Restricted Funds Managed as Endowment Funds	<u>4,727,220</u>
TOTAL ENDOWMENTS AND FUNDS FUNCTIONING AS ENDOWMENTS	16,466,539
OTHER FUNDS:	
Subject to Expenditure for Specified Purpose: Scholarships and Programs	16,390,111
Subject to the Passage of Time: Beneficial Interest in Charitable Remainder Trust	12,303
Contribution Designated for Future Fiscal Years	<u>27,500</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 32,896,453</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2021:

Satisfaction of Purpose Restrictions: Scholarships and Programs	<u>\$ 2,845,836</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,845,836</u>

NOTE 9 - ENDOWMENTS

The Foundation's endowments consist of approximately 235 donor-restricted funds established for a variety of purposes as well as time restricted funds managed as endowment funds. All endowment funds are invested in mutual funds and exchange traded funds (See Note 3). The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted by the State of California in 2008, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - ENDOWMENTS (continued)

As a result of this interpretation, the Foundation classifies as endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as time restricted until those amounts are appropriated for expenditure by the Foundation with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation, in consultation with its investment advisors, considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the 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 (depreciation) of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the respective benchmarks over a five to ten year rolling period. These benchmarks include the S&P 500 Index for domestic equity portfolios, the EAFE (Europe, Australia and Far East) Index for international equity portfolios and the Lehman Intermediate Government/Credit Index for the fixed income portfolio.

The Foundation expects its endowment funds to provide over time an average annual rate of return of at least 7% net of management fees over a rolling five year period. Annual returns in any given year may vary from this amount. To satisfy its long-term investment 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 objectives within prudent risk constraints.

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE 9 - ENDOWMENTS (continued)

The Foundation has a policy of appropriating approximately 5% per year for program distributions and 2% for administrative expenses of the Foundation. Certain portions of the endowment funds have no specific annual spending targets, and funds are appropriated as needed based on available funds and specific funding requests.

At June 30, 2021, the Foundation's endowment net assets composition by type of fund was as follows:

Endowment Funds	\$ 11,739,319
Donor-Restricted Funds Managed as Endowment Funds	4,727,220
TOTAL ENDOWMENTS AND FUNDS FUNCTIONING AS ENDOWMENTS	\$ 16,466,539

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations occurring after the investment of the perpetual endowments and after continued appropriations for certain programs which were deemed prudent by the Board of Directors. Deficiencies of this nature at the beginning of the year of \$156,952 were fully recovered during the year ended June 30, 2021.

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Donor- Restricted Funds Managed as Endowment Funds	Endowment Funds	Total
Endowment Net Assets - Beginning of Year	\$ 2,045,671	\$ 11,314,534	\$ 13,360,205
Investment Return (Net)	3,471,756	156,952	3,628,708
Contributions	30,392	267,833	298,225
Appropriation of Endowment Assets for Expenditure	(820,599)	-	(820,599)
ENDOWMENT NET ASSETS - END OF YEAR	\$ 4,727,220	\$ 11,739,319	\$ 16,466,539

SANTA MONICA COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Foundation at June 30, 2021 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2021:	
Cash and Cash Equivalents	\$ 744,739
Investments	<u>2,299,804</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 3,044,543</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.