DEL MAR COLLEGE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

INDEX

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INDEPENDENT AUDITOR'S REPORT

November 18, 2019

To the Board of Trustees
Del Mar College Foundation, Inc.
Corpus Christi, Texas

We have audited the accompanying financial statements of Del Mar College Foundation, Inc. (a nonprofit organization), a component unit of the Del Mar College District, which comprise the statement of financial position as of June 30, 2019, 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 audits 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 Del Mar College Foundation, Inc. as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements of Del Mar College Foundation, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 2, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958: Presentation of Financial Statements for Not-for-Profit Entities)* as of and for the fiscal year-ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Collier, Johnson & Woods

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30, 2019	JUNE 30, 2018
Current Assets:		
Cash and Equivalents	894,037	877,532
Accounts Receivable (Note 4)	426,394	52,667
Investments (Note 5 and 6)	9,638,058	8,839,089
Unconditional Promises to Give (Note 7)	686,434	62,111
Total Current Assets	11,644,923	9,831,399
Endowment Investments (Note 5 and 6)	11,435,303	11,181,548
Long-Term Unconditional Promises to Give (Note 7)	215,342	175,954
Beneficial Interest in Irrevocable Charitable Trust (Note 5 and 8)	699,631	623,343
TOTAL ASSETS	23,995,199	21,812,244

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities:		
Accounts Payable	39,044	66,905
Due to Del Mar College (Note 11)	477,890	76,130
Total Liabilities	516,934	143,035
Net Assets:		
Without Donor Restrictions	3,766,249	3,339,334
With Donor Restrictions (Note 10)	19,712,016	18,329,875
Total Net Assets	23,478,265	21,669,209
TOTAL LIABILITIES AND NET ASSETS	23,995,199	21,812,244

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2019	TOTAL 2018
Support, Revenue and Gains:				
Scholarship Contributions	426,453	687,006	1,113,459	577,851
Designated Scholarship Contributions	--	441,752	441,752	403,577
Grants, Managed Funds and Other Contributions	264,460	1,977,572	2,242,032	960,537
Net Investment Income	378,728	1,014,412	1,393,140	1,829,339
Contributed Services and Expenses (Note 11)	736,646	--	736,646	697,900
Net Assets Released from Restrictions (Note 10)	2,748,601	(2,748,601)	--	--
Total Support, Revenue and Gains	4,554,888	1,372,141	5,927,029	4,469,204
Program Expenses:				
Foundation Services	3,644,342	--	3,644,342	3,055,410
Development Services	473,631	--	473,631	428,267
Total Program Expenses	4,117,973	--	4,117,973	3,483,677
Change in Net Assets	436,915	1,372,141	1,809,056	985,527
Net Assets, Beginning of Year	3,339,334	18,329,875	21,669,209	20,683,682
Transfers and Reclassifications (Note 10)	(10,000)	10,000	--	--
NET ASSETS, END OF YEAR	3,766,249	19,712,016	23,478,265	21,669,209

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018

	FOUNDATION SERVICES	DEVELOPMENT SERVICES	TOTAL 2019	TOTAL 2018
Contributed Expenses:				
Salaries	221,988	271,415	493,403	463,027
Employee Benefits	74,072	80,685	154,757	145,144
General and Administrative Expenses	28,650	19,836	48,486	49,729
Rent Expense	20,000	20,000	40,000	40,000
Total Contributed Expenses	344,710	391,936	736,646	697,900
Operational Expenses:				
Scholarships	1,357,164	--	1,357,164	1,301,521
Designated Scholarships	470,830	--	470,830	360,584
Grants, Managed Funds, and Other Awards	1,019,854	--	1,019,854	542,959
Administrative Non Program Awards	451,784	--	451,784	508,923
Fundraising	--	81,695	81,695	71,790
Total Operational Expenses	3,299,632	81,695	3,381,327	2,785,777
Total Expenses	3,644,342	473,631	4,117,973	3,483,677

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30,	
	2019	2018
Cash Flows from Operating Activities:		
Increase in Net Assets	1,809,056	985,527
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:		
Net Realized and Unrealized Gains on Investments	(1,029,179)	(1,476,573)
Change in:		
Accounts Receivable	(373,727)	(1,252)
Unconditional Promises to Give	(663,711)	(156,306)
Accounts Payable and Due to Del Mar College	373,899	(13,194)
Net Cash Provided (Used) by Operating Activities	116,338	(661,798)
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments	18,857,941	7,283,969
Purchases of Investments	(18,957,774)	(7,158,767)
Net Cash Provided (Used) by Investing Activities	(99,833)	125,202
Increase (Decrease) in Cash and Equivalents	16,505	(536,596)
Cash and Equivalents, Beginning of Year	877,532	1,414,128
CASH AND EQUIVALENTS, END OF YEAR	894,037	877,532

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Del Mar College Foundation, Inc. (the "Foundation") is a not-for-profit community foundation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization is not classified as a private foundation under Section 509(a) of the Internal Revenue Code.

The Foundation is reported as a discretely presented component unit of the Del Mar College District ("the College"). The Foundation is a legally separate entity of the College; however, the Foundation promotes and supports scholarship funds and special projects, capital campaigns, and other initiatives to benefit the College.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Comparative Financial Information

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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 certain reported amounts and disclosures. The most sensitive estimates affecting the financial statements were: collectability and discount rate of unconditional promises to give and market values of investments. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. Money market funds held by the brokers are reported as investments on the Statements of Financial Position.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Promises to Give

Unconditional promises to give are recognized when the donor makes a promise to give to the Foundation. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Foundation uses the direct write off method to determine uncollectible promises receivable. Write-offs of uncollectible pledges are based on management's analysis of specific promises made.

Investments

The Foundation's investments are reported 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 between market participants at the measurement date. See Note 6 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net investment income includes the Foundation's gains and losses on investments bought and sold as well as held during the year. Gains and losses on endowed funds are reflected as increases or decreases in the donor restricted class of net assets, until the donor restrictions are met.

Beneficial Interest in Irrevocable Charitable Trust

In compliance with ASU-820-10-55, the beneficial interest in an irrevocable charitable trust, which was donated to the foundation, is recorded at fair value. Fair value represents the factors that market participants would consider in setting a price for the estimated future cash flows of the beneficial interest. Note 6 discusses the key factors management used to determine fair value.

Net Assets

Net assets, revenues, 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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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.

Revenue Recognition

We recognize contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, including grant contracts, 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 utilizes donor agreements in an on-going attempt to further clarify donors' intentions. If it becomes clear the fund classification was incorrect, or if the donor(s) change their intentions, the funds are appropriately reclassified and shown as a transfer from one fund type to another.

Donated Services

The College provides administrative services to the Foundation. For the years ended June 30, 2019 and 2018, these services are valued at fair value which is deemed to be 50% of the Office of Development salaries, benefits, and office expenses, 50% of the Office of Development & Alumni salaries, benefits, and office expenses and 100% of the Foundation salaries, benefits, and office expenses and are included in contributed services and expenses in the statement of activities.

The Foundation received donated services from a variety of unpaid volunteers. Since those services neither created nor enhanced a nonfinancial asset, nor required specialized skills, no amounts have been included in the accompanying statement of activities.

Income Taxes

The Foundation is exempt from Federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501 (c)(3). The Foundation has also been determined not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code, because it is an organization described in Section 509(a)(3). Therefore, no provision for income taxes has been included in these financial statements. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of function expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amount the programs and supporting services benefited.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continuation)

Date of Management's Review

Subsequent events were evaluated through November 18, 2019, which is the date the financial statements were available to be issued.

Note 2 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the fiscal year-ended June 30, 2019, the Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classifications, 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 between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

The effect of the implementation of ASU No. 2016-14 on net assets at July 1, 2018 is as follows:

	AS ORIGINALLY PRESENTED	AFTER ADOPTION OF ASU 2016-14
Unrestricted Net Assets	222,864	--
Temporarily Restricted Net Assets	8,907,346	--
Permanently Restricted Net Assets	12,538,999	--
Net Assets without Donor Restrictions	--	3,339,334
Net Assets with Donor Restrictions	--	18,329,875
TOTAL NET ASSETS	21,669,209	21,669,209

The effect of the implementation of ASU No. 2016-14 on net assets at July 1, 2017 is as follows:

	AS ORIGINALLY PRESENTED	AFTER ADOPTION OF ASU 2016-14
Unrestricted Net Assets	220,364	--
Temporarily Restricted Net Assets	8,222,569	--
Permanently Restricted Net Assets	12,240,749	--
Net Assets without Donor Restrictions	--	3,177,279
Net Assets with Donor Restrictions	--	17,506,403
TOTAL NET ASSETS	20,683,682	20,683,682

Note 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of fundraising and scholarships, as well as, services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient contributions and donations to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Foundation's cash and shows positive cash generated by operations for the fiscal year ended June 30, 2019 and 2018.

As of June 30, 2019 and 2018, the following table illustrates the total financial assets held by the Foundation that could readily be made available within one year of the balance sheet date to meet general expenditures.

	JUNE 30,	
	2019	2018
Financial Assets as of June 30,	23,995,199	21,812,244
Less: Pledge payments due in more than one year	(914,973)	(799,297)
Total Financial Assets available in the next twelve months to meet general expenditures	23,080,226	21,012,947
Less Those Unavailable for General Expenditures Within One Year, Due To:		
Donor Restricted Endowed Funds	(11,435,303)	(11,181,548)
Donor Restricted Direct & Designated Scholarship Funds	(5,540,018)	(5,136,947)
Donor Restricted Grants, Managed Funds & Other Funds	(2,736,695)	(2,011,380)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	3,368,210	2,683,072

Note 4 – ACCOUNTS RECEIVABLE

Accounts receivables, at June 30, 2019 and 2018 are as follows:

	JUNE 30, 2019	JUNE 30, 2018
Student Viking Loans	5,763	52,667
Reimbursement Grant Receivable	419,942	--
Other Receivables	689	--
TOTAL	426,394	52,667

Accounts receivable are written-off when deemed uncollectable. During the year ended June 30, 2019, the bad debts written off on receivables amounted to $46,991. During the year ended June 30, 2018 there were no bad debt written off.

Note 5 – INVESTMENTS

Investments are presented in the financial statements at fair value. All funds are combined and invested in various types of investments, as follows:

	JUNE 30, 2019	
	COST	FAIR VALUE
Money Market	36,632	36,632
Mutual Funds	17,316,129	19,931,940
Alternative Investments	1,019,228	1,104,789
TOTAL	18,371,989	21,073,361

	JUNE 30, 2018	
	COST	FAIR VALUE
Money Market	88,830	88,830
Mutual Funds	16,293,922	19,203,882
Alternative Investments	677,836	727,925
TOTAL	17,060,588	20,020,637

Brokerage fees of $74,636 are netted against the investment gain of $1,467,776 for the year ended June 30, 2019. Brokerage fees of $76,744 are netted against investment income of $1,906,083 for the year ended June 30, 2018.

Note 5 – INVESTMENTS – (Continuation)

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the Foundation's Investment Policy sets a maximum stated maturity limit of one year for capital campaigns, special projects, and short-term funds. Short-term funds will be held in limited-risk investment vehicles.

The Foundation's endowment assets will have a long-time life span which parallels the life of the institution. As such, assets are invested in funds with maturities that extend well beyond a normal market cycle. However, by careful management and sufficient portfolio diversification, there will be lessened volatility in the investments, which will help to assure a reasonable consistency of return.

Credit Risk

It is the Foundation's investment policy to invest in equity securities, fixed income investment bonds, and various other investment alternatives as deemed appropriate. The principal category of equity investments are common stocks, with emphasis on high quality, investment grade, dividend-paying stocks in companies that are financially sound and that have favorable prospects for earnings growth. In recognition of the increasing opportunities available in today's dynamic investment universe to seek returns that may be less correlated to the traditional broad equity and fixed income markets, the Trustees may allocate up to 30% of the Fund Assets to alternative investments. Fixed Income bonds are invested in domestic, high quality corporate bonds with a minimum of an AA rating.

Concentration of Credit Risk

The Foundation recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a quarterly basis. The general policy is to diversify investments of long-term funds among both equity and fixed-income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. As a long-term guideline, the investment categories should be equities 0%-66%, alternatives 0-30%, fixed income 0%-50%, and cash 0% to 20%.

Financial Instruments and Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation maintains its cash and cash equivalents with financial institutions and a money market account with an investment company. The Foundation's deposits at financial institutions were entirely insured by federal depository insurance or were collateralized with securities held by the Foundation's agent in the Foundation's name. Investments, including cash and cash equivalents at the investment company, are insured by Security Investor Protection Corporation against loss due to theft or misappropriation.

Note 6 – FAIR VALUE MEASUREMENTS

The Foundation's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds and money market funds is based on quoted net asset values of the shares held by the Foundation in active markets at the reporting date.

Level 3 Fair Value Measurement

The fair value of the beneficial interest in the irrevocable charitable trust that holds a structured settlement with future stream of cash flow is based on unobservable inputs. There is currently no market in which beneficial interests in charitable trusts trade, so no observable exit price will exist for a beneficial interest.

Alternative investments are principally investments in limited partnerships whose underlying assets include residential and commercial real estate. The fair values for alternative investments have been estimated using the net assets value per share provided by the fund and partnerships managers, which are primarily valued with Level 3 inputs.

FASB ASU 820 also requires disclosures about transfers into and out of Level 1 and 2 investments and separate disclosures about purchases, sales issuance and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3).

Note 6 – FAIR VALUE MEASUREMENTS – (Continuation)

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

		FAIR VALUE MEASUREMENTS USING:	
June 30, 2019	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Money Market	36,632	36,632	--
Mutual Funds	19,931,940	19,931,940	--
Alternative Investments	1,104,789	--	1,104,789
Total Investments	21,073,361	19,968,572	1,104,789
Beneficial Interest in Irrevocable Charitable Trust	699,631	--	699,631
TOTAL	21,772,992	19,968,572	1,804,420

		FAIR VALUE MEASUREMENTS USING:	
June 30, 2018	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Money Market	88,830	88,830	--
Mutual Funds	19,203,882	19,203,882	--
Alternative Investments	727,925	--	727,925
Total Investments	20,020,637	19,292,712	727,925
Beneficial Interest in Irrevocable Charitable Trust	623,343	--	623,343
TOTAL	20,643,980	19,292,712	1,351,268

Note 6 – FAIR VALUE MEASUREMENTS – (Continuation)

The following presents a summary of changes in the fair value of the Foundation's Level 3 assets at June 30, 2019 and 2018:

	BENEFICIAL INTEREST IN IRREVOCABLE TRUST	ALTERNATIVE INVESTMENTS
Beginning Balance, July 1, 2017	604,936	584,660
Purchases	--	95,845
Total Unrealized Gains Included in Changes in Net Assets	18,407	47,420
ENDING BALANCE, JUNE 30, 2018	623,343	727,925
Purchases	--	376,898
Sales	--	(35,506)
Total Unrealized Gains Included in Changes in Net Assets	76,288	35,472
ENDING BALANCE, JUNE 30, 2019	699,631	1,104,789

Note 7 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, at June 30, 2019 and 2018 are as follows:

	JUNE 30,	
	2019	2018
Student Scholarships	910,584	253,340
Less: Unamortized Discount	(8,808)	(15,275)
Net Unconditional Promises to Give	901,776	238,065
Less: Amount Due in One Year or Less	686,434	62,111
LONG-TERM UNCONDITIONAL PROMISES TO GIVE	215,342	175,954

Note 7 – UNCONDITIONAL PROMISES TO GIVE – (Continuation)

Long-term promises to give are expected to be collected during the year ended June 30, 2020, through the year ended June 30, 2025.

The discount rate of 1.71 and 2.73 was used on long-term promises to give as of June 30, 2019 and 2018, respectively. The Foundation considers promises to give fully collectible; accordingly, no allowance for uncollectible promises has been provided.

Note 8 – BENEFICIAL INTEREST IN IRREVOCABLE CHARITABLE TRUST

A donation was made in a prior year to the Foundation whereas the Foundation was made the beneficiary to an irrevocable charitable trust that holds a structured settlement. The structured settlement has monthly payments, annual amounts are as follows:

		FAIR VALUE AT JUNE 30,	
	PAYMENT	2019	2018
Year ended June 30,			
2026	67,052	44,390	40,288
2027	139,574	90,288	81,633
2028	147,142	89,876	80,848
2029	155,089	89,442	80,049
2030	163,432	89,001	79,250
2031	172,193	88,546	78,445
2032	190,230	92,345	81,393
2033	202,835	92,998	81,554
2034	51,320	22,745	19,883
TOTAL	1,288,867	699,631	623,343

In compliance with ASC 820-10-35 the Foundation uses the income approach for measuring the fair value for its beneficial interest in the trust. The beneficial interest in the trust is measured as the present value of future distributions projected to be received over the expected term using a discount rate of 5.92% (based on the AAA Corporate Bond yield of 3.42% plus 1.25% additional amount for contractual risk and 1.25% for transactional risk) and 6.46% as of June 30, 2019 and 2018, respectively. The discounted receivable is carried at $699,631 and $623,343 at June 30, 2019 and 2018, respectively.

Note 9 – ENDOWMENT FUNDS

The Foundation has donor restricted endowments that are to be used only for identified scholarships and other identified purposes and that are maintained in accordance with explicit donor stipulations. The Board of Trustees of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of gifts to donor Restricted Endowments as of the date of the gift, absent explicit donor stipulations to the contrary. The Foundation interprets the definition of donor-restricted endowments to include the original value of gifts to an endowment and subsequent gifts donated to the fund, (including promises to give net of discount and allowance for doubtful accounts)) 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 TUPMIFA. The Foundation considers the following factors 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

Endowment funds are maintained in an investment account which is managed by an independent financial firm that follows guidance provided in the investment policy approved by the Board of Trustees.

As of June 30, 2019 and 2018, Donor Restricted Endowment Funds were as follows:

	JUNE 30,	
	2019	2018
Donor-Restricted Endowment Fund:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	11,435,303	11,181,548
Accumulated Investment Gains	5,119,273	4,630,334
TOTAL FUNDS	16,554,576	15,811,882

Funds with Deficiencies

In accordance with accounting standards, the Foundation considers an endowment to be deficient (underwater funds) if its fair value is less than the sum of (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor imposed accumulations to the endowment that must be maintained in perpetuity. The Foundation has interpreted TUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2019 and 2018, there were no endowment funds with deficiencies.

Note 9 – ENDOWMENT FUNDS – (Continuation)

Investment and Spending Policies

The primary goals of the endowments are as follows: (1) Provide the highest sustainable, consistent flow of funds to support the activities of the Foundation or those designated by the donor, (2) Protect the future purchasing power of the principal of the endowed funds by reserving an appropriate portion of investment return to offset the cumulative effects of inflation and provide future real growth of the Foundation assets, and (3) Manage the spending distribution over time to reduce, as far as possible, annual variations in the level of support provided by the Foundation.

The Investment Committee of the Foundation outlines the asset allocations, permissible investments and objectives of the portfolios in the Investment Policy.

Changes in Endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	JUNE 30,	
	2019	2018
Endowment Net Assets, Beginning of Year	15,811,882	15,072,517
Investment Income, Net	1,014,412	1,280,537
Contributions	253,755	162,493
Transfer and Reclassification	80,371	77,907
Net Assets Released from Restrictions	(605,844)	(781,572)
ENDOWMENT NET ASSETS, END OF YEAR	16,554,576	15,811,882

Note 10 – RESTRICTIONS ON NET ASSETS

At June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following purposes:

	JUNE 30, 2019	JUNE 30, 2018
Subject to Expenditure for Specified Purposes:		
To Provide Direct & Designated Scholarships	5,540,018	5,136,947
To Provide Grants, Managed Funds & Other	2,736,695	2,011,380
Total for Specified Purposes	8,276,713	7,148,327
Scholarship Endowments	11,435,303	11,181,548
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	19,712,016	18,329,875

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 donor as follows for the years ended June 30, 2019 and 2018:

	JUNE 30, 2019	JUNE 30, 2018
Satisfaction of Purpose Restrictions		
Scholarships	988,898	1,301,521
Designated Scholarships	470,830	360,584
Grants, Managed Funds & Other Awards	755,394	542,959
Administrative Non Program Awards	451,784	508,923
Fundraising	81,695	71,790
	2,748,601	2,785,777

During the year ended June 30, 2019 net funds amounting to $10,000 were reclassified from net assets with donor restrictions to net assets without donor restrictions.

Note 11 – RELATED PARTY TRANSACTIONS

At June 30, 2019 and 2018, the Foundation had payables to the College for scholarships and reimbursable program expenditures of $477,890 and $76,130, respectively.

The College performs certain administrative services for the Foundation and incurred expenses, which were paid by the College. The Foundation occupies office space in the Center for Economic Development Building owned by the College. Under an agreement with the College no rent is paid by the Foundation. The College has estimated the approximate fair value of the annual rental based on square footage to be $40,000.

The cost of these related party services and expenses are as follows:

	JUNE 30,	
	2019	2018
Employee Salaries	493,404	463,027
Employee Benefits	154,756	145,144
General and Administrative Expenses	48,486	49,729
Rent Expense	40,000	40,000
TOTAL	736,646	697,900

The College does not fund, nor is it obligated to pay debt related to the Foundation.

Note 12 – COMMITMENTS

Subsequent to June 30, 2019, the Board of Trustees for the Foundation approved scholarships in the amount of $707,588 for students attending Del Mar College for the Fall 2019 semester.

Note 13 – FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses requiring allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated equally to the respective programs, as well as salaries and wages, benefits, professional services, office expenses, information technology, and other, which are allocated on the basis of time and effort.