DEL MAR COLLEGE FOUNDATION, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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COLLIER, JOHNSON & WOODS, P.C.
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INDEPENDENT AUDITOR'S REPORT

September 19, 2022

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Del Mar College Foundation, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Del Mar College Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Del Mar College Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Del Mar College Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

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

Collier, Johnson & Woods

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30, 2022	JUNE 30, 2021
ASSETS		
Current Assets:		
Cash and Equivalents	2,833,761	1,647,432
Accounts Receivable (Note 3)	10,382	51,938
Investments (Note 4 and 5)	9,690,416	16,141,257
Unconditional Promises to Give (Note 6)	278,935	289,900
Total Current Assets	12,813,494	18,130,527
Endowment Investments (Note 4, 5 and 8)	15,017,373	13,864,583
Long-Term Unconditional Promises to Give (Note 6)	367,458	145,044
Beneficial Interest in Irrevocable Charitable Trust (Note 5 and 7)	785,484	825,481
TOTAL ASSETS	28,983,809	32,965,635
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	6,264	23,231
Due to Del Mar College (Note 10)	77,932	49,335
Total Liabilities	84,196	72,566
Net Assets:		
Without Donor Restrictions	6,832,300	7,750,020
With Donor Restrictions (Note 9)	22,067,313	25,143,049
Total Net Assets	28,899,613	32,893,069
TOTAL LIABILITIES AND NET ASSETS	28,983,809	32,965,635

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2022	TOTAL 2021
Support, Revenue and Gains:				
Scholarship Contributions	47,781	1,689,757	1,737,538	1,604,930
Designated Scholarship Contributions	--	332,302	332,302	378,848
Grants, Managed Funds and Other Contributions	194,549	923,741	1,118,290	1,092,364
Net Investment Income (Loss)	(1,206,924)	(2,889,137)	(4,096,061)	7,129,448
Contributed Services and Expenses (Note 10)	818,396	--	818,396	751,835
Net Assets Released from Restrictions (Note 9)	3,084,052	(3,084,052)	--	--
Total Support, Revenue and Gains	2,937,854	(3,027,389)	(89,535)	10,957,425
Program Expenses:				
Foundation Services	3,468,805	--	3,468,805	3,065,470
Development Services	435,116	--	435,116	403,880
Total Program Expenses	3,903,921	--	3,903,921	3,469,350
Change in Net Assets	(966,067)	(3,027,389)	(3,993,456)	7,488,075
Net Assets, Beginning of Year	7,750,020	25,143,049	32,893,069	25,404,994
Transfers and Reclassifications (Note 9)	48,347	(48,347)	--	--
NET ASSETS, END OF YEAR	6,832,300	22,067,313	28,899,613	32,893,069

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2021

	FOUNDATION SERVICES	DEVELOPMENT SERVICES	TOTAL 2022	TOTAL 2021
Contributed Expenses:				
Salaries	336,263	241,580	577,843	519,129
Employee Benefits	97,971	72,659	170,630	161,931
General and Administrative Expenses	5,287	24,636	29,923	30,775
Rent Expense	20,000	20,000	40,000	40,000
Total Contributed Expenses	459,521	358,875	818,396	751,835
Operational Expenses:				
Scholarships	1,640,408	--	1,640,408	1,136,204
Designated Scholarships	319,908	--	319,908	352,674
Grants, Managed Funds, and Other Awards	1,088,655	--	1,088,655	1,189,437
Administrative Non Program Awards	36,554	--	36,554	39,200
Total Operational Expenses	3,085,525	--	3,085,525	2,717,515
Total Expenses	3,545,046	358,875	3,903,921	3,469,350

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED JUNE 30, 2022	YEAR ENDED JUNE 30, 2021
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	(3,993,456)	7,488,075
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used in Operating Activities:		
Net Realized and Unrealized Losses (Gains) on Investments	4,530,773	(6,739,726)
Change in:		
Accounts Receivable	41,556	(45,750)
Unconditional Promises to Give	(211,449)	176,250
Accounts Payable and Due to Del Mar College	11,630	(378,655)
Net Cash Provided by Operating Activities	379,054	500,194
Cash Flows from (used) in Investing Activities:		
Proceeds from Sales of Investments	8,251,087	16,961,172
Purchases of Investments	(7,443,812)	(17,182,853)
Net Cash Provided by (Used in) Investing Activities	807,275	(221,681)
Increase in Cash and Equivalents	1,186,329	278,513
Cash and Equivalents, Beginning of Year	1,647,432	1,368,919
CASH AND EQUIVALENTS, END OF YEAR	2,833,761	1,647,432

See Notes to Financial Statements.

DEL MAR COLLEGE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2021, 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 of unconditional promises to give and fair values of Level 3 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.

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 5 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, 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 5 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 those 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

The Foundation recognizes contributions when cash, securities or other assets, unconditional promises 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 year ended June 30, 2022, these services are valued at fair value which is deemed to be 70 percent of the Office of Development and Alumni salaries, benefits, and office expenses and 100 percent of the Foundation salaries, benefits, and office expenses and are included in contributed services and expenses in the statement of activities.

For the year ended June 30, 2021, these services are valued at fair value which is deemed to be 50 percent of the Office of Development and Alumni salaries, benefits, and office expenses and 100 percent 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 to the programs and supporting services benefited.

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

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.

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASU Topic 840, leases. Under the new guidance, lessees are required to recognize lease assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal year 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Date of Management's Review

Subsequent events were evaluated through September 19, 2022, which is the date the financial statements were available to be issued.

Note 2 – 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 years ended June 30, 2022 and 2021.

Note 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – (Continuation)

As of June 30, 2022 and 2021, 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,	
	2022	2021
Financial Assets as of June 30,	28,983,809	32,965,635
Less: Payments Due in More than One Year	(1,152,942)	(970,525)
Total Financial Assets Available in the Next Twelve Months to Meet General Expenditures	27,830,867	31,995,110
Less Those Unavailable for General Expenditures Within One Year, Due To:		
Donor Restricted Endowed Corpus	(15,017,373)	(13,864,583)
Donor Restricted Direct & Designated Scholarship Funds	(5,614,626)	(9,702,184)
Donor Restricted Grants, Managed Funds & Other Funds	(1,435,314)	(1,576,282)
Total Unavailable for General Expenditures	(22,067,313)	(25,143,049)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURE WITHIN ONE YEAR	5,763,554	6,852,061

Note 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 and 2021 are as follows:

	JUNE 30,	
	2022	2021
Student Viking Loans	500	--
Other Receivables	2,999	1,125
Reimbursement Grant Receivable	6,883	50,813
TOTAL	10,382	51,938

Note 4 – 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, 2022	
	COST	FAIR VALUE
Mutual Funds:		
Equity Funds	18,372,970	17,865,475
Fixed Income Funds	6,596,971	5,701,306
Total Mutual Funds	24,969,941	23,566,781
Alternative Investments	927,611	1,141,008
TOTAL	25,897,552	24,707,789

	JUNE 30, 2021	
	COST	FAIR VALUE
Mutual Funds:		
Equity Funds	17,868,166	23,326,298
Fixed Income Funds	5,653,921	5,568,525
Total Mutual Funds	23,522,087	28,894,823
Alternative Investments	957,827	1,111,017
TOTAL	24,479,914	30,005,840

Brokerage fees of $69,448 are netted with investment losses of $4,026,613 for the year ended June 30, 2022. Brokerage fees of $70,360 are netted against investment income of $7,199,808 for the year ended June 30, 2021.

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.

Note 4 – INVESTMENTS – (Continuation)

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%-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 money market accounts with investment companies. The Foundation's deposits at financial institutions exceeded federal depository insurance by $530,111 and $792,709 as of June 30, 2022 and 2021, respectively. Management believes that the risk of loss is minimal due to the strength of the institutions. Cash and cash equivalents held with investment companies exceeded federal depository insurance by $1,404,442 and $0 as of June 30, 2022 and 2021, respectively.

Note 5 – 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 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 ASC 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 5 – FAIR VALUE MEASUREMENTS – (Continuation)

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

June 30, 2022	FAIR VALUE	FAIR VALUE MEASUREMENTS USING: QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Mutual Funds	23,566,781	23,566,781	--
Alternative Investments	1,141,008	--	1,141,008
Total Investments	24,707,789	23,566,781	1,141,008
Beneficial Interest in Irrevocable Charitable Trust	785,484	--	785,484
TOTAL	25,493,273	23,566,781	1,926,492

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

June 30, 2021	FAIR VALUE	FAIR VALUE MEASUREMENTS USING: QUOTED PRICES IN ACTIVE MARKET FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Mutual Funds	28,894,823	28,894,823	--
Alternative Investments	1,111,017	--	1,111,017
Total Investments	30,005,840	28,894,823	1,111,017
Beneficial Interest in Irrevocable Charitable Trust	825,481	--	825,481
TOTAL	30,831,321	28,894,823	1,936,498

Note 5 – 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, 2022 and 2021:

	BENEFICIAL INTEREST IN IRREVOCABLE TRUST	ALTERNATIVE INVESTMENTS
Beginning Balance, July 1, 2020	809,050	1,042,204
Purchases	--	38,485
Sales	--	(33,986)
Total Unrealized Gains Included in Changes in Net Assets	16,431	64,314
ENDING BALANCE, JUNE 30, 2021	825,481	1,111,017
Purchases	--	175,458
Sales	--	(12,223)
Total Unrealized Losses Included in Changes in Net Assets	(39,997)	(133,244)
ENDING BALANCE, JUNE 30, 2022	785,484	1,141,008

Note 6 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2022 and 2021 are as follows:

	JUNE 30, 2022	JUNE 30, 2021
Student Scholarships	666,047	436,666
Less Unamortized Discount	(19,654)	(1,722)
Net Unconditional Promises to Give	646,393	434,944
Less: Amount Due in One Year or Less	278,935	289,900
LONG-TERM UNCONDITIONAL PROMISES TO GIVE	367,458	145,044

Unconditional Promises to Give to be collected as follows:

2023	278,935
2024	161,678
2025	139,626
2026	59,044
2027	7,110
	646,393

Long-term promises to give are expected to be collected during the year ended June 30, 2023, through the year ended June 30, 2027.

The discount rate of 2.99 percent and 0.46 percent was used on long-term promises to give as of June 30, 2022 and 2021, respectively. The Foundation considers promises to give fully collectible; accordingly, no allowance for uncollectible promises has been provided.

Note 7 – BENEFICIAL INTEREST IN IRREVOCABLE CHARITABLE TRUST

A donation was made in a prior year to the Foundation whereby 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	2022	2021
Year ended June 30,			
2026	67,052	51,252	51,243
2027	139,574	103,646	104,693
2028	147,142	102,379	104,839
2029	155,089	101,101	104,958
2030	163,432	99,830	105,066
2031	172,193	98,555	105,153
2032	190,230	101,989	110,325
2033	202,835	101,925	111,768
2034	51,320	24,807	27,436
TOTAL	1,288,867	785,484	825,481

In compliance with FASB ASC 820, 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 6.74 percent (based on the AAA Corporate Bond yield of 4.24 percent plus 1.25 percent additional amount for contractual risk and 1.25 percent for transactional risk) and 5.29 percent as of June 30, 2022 and 2021, respectively. The discounted receivable is carried at $785,484 and $825,481 at June 30, 2022 and 2021, respectively.

Note 8 – 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.

Note 8 – ENDOWMENT FUNDS – (Continuation)

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, 2022 and 2021, Donor Restricted Endowment Funds were as follows:

	JUNE 30,	
	2022	2021
Donor-Restricted Endowment Fund:		
Original Donor-Restricted Gift Amount and Amounts Required to Be Maintained in Perpetuity by Donor	15,017,373	13,864,583
Accumulated Investment Gains	3,836,590	7,480,625
TOTAL FUNDS	18,853,963	21,345,208

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.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 14 donor-restricted endowment funds, which together have an original gift value of $1,465,367, a current fair value of $1,363,365, and a deficiency of $102,002 as of June 30, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds. As of June 30, 2021, there were no endowment funds with deficiencies.

Note 8 – 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, 2022 and 2021 are as follows:

	JUNE 30,	
	2022	2021
Endowment Net Assets, Beginning of Year	21,345,208	16,335,015
Investment Income, Net	(2,889,137)	4,863,965
Contributions	1,123,314	1,186,544
Transfer and Reclassification	29,676	(176,211)
Net Assets Released from Restrictions	(755,098)	(864,105)
ENDOWMENT NET ASSETS, END OF YEAR	18,853,963	21,345,208

Note 9 – RESTRICTIONS ON NET ASSETS

As of June 30, 2022 and 2021, net assets with donor restrictions are restricted for the following purposes:

	JUNE 30,	
	2022	2021
Subject to Expenditure for Specified Purposes:		
To Provide Direct & Designated Scholarships	5,614,626	9,702,184
To Provide Grants, Managed Funds & Other	1,435,314	1,576,282
Total for Specified Purposes	7,049,940	11,278,466
Scholarship Endowment Corpus	15,017,373	13,864,583
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	22,067,313	25,143,049

Note 9 – RESTRICTIONS ON NET ASSETS – (Continuation)

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, 2022 and 2021:

	JUNE 30,	
	2022	2021
Satisfaction of Purpose Restrictions		
Scholarships	1,522,563	1,136,204
Designated Scholarships	369,908	352,674
Grants, Managed Funds & Other Awards	1,155,027	1,436,937
Administrative Non Program Awards	36,554	39,200
TOTAL	3,084,052	2,965,015

During the year ended June 30, 2022, net funds amounting to $48,347 were reclassified from net assets with donor restrictions to net assets without donor restrictions.

Note 10 – RELATED PARTY TRANSACTIONS

At June 30, 2022 and 2021, the Foundation had payables to the College for scholarships and reimbursable program expenditures of $77,932 and $49,335, 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,	
	2022	2021
Employee Salaries	571,958	519,129
Employee Benefits	169,602	161,931
General and Administrative Expenses	36,836	30,775
Rent Expense	40,000	40,000
TOTAL	818,396	751,835

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

Note 11 – COMMITMENTS

Subsequent to June 30, 2022, the Board of Trustees for the Foundation approved scholarships in the amount of $442,355 for students attending Del Mar College for the Fall 2022 semester.

Note 12 – 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.