



Palomar College
Foundation

Financial Statements

Years Ended
December 31, 2023
and
December 31, 2022



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



PALOMAR COLLEGE FOUNDATION
Financial Statements and Supplemental Information
Years Ended December 31, 2023 and December 31, 2022

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Independent Auditor's Report

To the Board of Directors of
Palomar College Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Palomar College Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and December 31, 2022, and the related statements of activities, cash flows, and functional expenses for the years 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 Palomar College Foundation as of December 31, 2023 and December 31, 2022, and the changes in its net assets and its cash flows for the years 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 Palomar College Foundation 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Palomar College Foundation'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 Palomar College Foundation'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 Palomar College Foundation'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.



El Cajon, California

April 15, 2024

Financial Statements

PALOMAR COLLEGE FOUNDATION

Statement of Financial Position
December 31, 2023 and December 31, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 1,703,877	\$ 1,703,862
Operating investments	4,535,717	4,482,984
Accounts receivable	225,151	27,026
Property & Equipment, net	362	493
Beneficial interests in assets held by charitable trusts	130,153	210,797
Endowments		
Beneficial interests in assets held by community foundation	611,317	564,849
Other endowment investments	19,993,212	17,093,169
Total Assets	<u>\$ 27,199,789</u>	<u>\$ 24,083,180</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 931	\$ 11,019
Payable to charitable trust beneficiaries	22,125	28,073
Total Liabilities	<u>23,056</u>	<u>39,092</u>
Net Assets		
Without Donor Restrictions		
Undesignated	2,640,070	2,045,207
Total without donor restrictions	<u>2,640,070</u>	<u>2,045,207</u>
With Donor Restrictions		
Restricted for specific purposes	3,801,981	4,130,066
Charitable trusts	130,153	210,797
Endowments	20,604,529	17,658,018
Total with donor restrictions	<u>24,536,663</u>	<u>21,998,881</u>
Total Net Assets	<u>27,176,733</u>	<u>24,044,088</u>
Total Liabilities and Net Assets	<u>\$ 27,199,789</u>	<u>\$ 24,083,180</u>

The accompanying notes are an integral part of this statement.

PALOMAR COLLEGE FOUNDATION
Statement of Activities
Years Ended December 31, 2023 and December 31, 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
Revenue, Support, and Gains						
Gross special events revenue	\$ 187,564	\$ -	\$ 187,564	\$ 162,145	\$ -	\$ 162,145
Less cost of direct benefits to donors	(87,008)	-	(87,008)	(69,623)	-	(69,623)
Net special events revenue	<u>100,556</u>	<u>-</u>	<u>100,556</u>	<u>92,522</u>	<u>-</u>	<u>92,522</u>
Contributions	61,142	722,155	783,297	57,549	10,975,354	11,032,903
Grants	50,500	162,500	213,000	48,000	340,000	388,000
Donated services and facilities	662,174	-	662,174	623,770	-	623,770
Interest and dividends	107,492	466,362	573,854	82,214	505,607	587,821
Net investment return*	251,117	2,196,255	2,447,372	(529,967)	(2,510,463)	(3,040,430)
Net assets released from restriction	<u>1,009,490</u>	<u>(1,009,490)</u>	<u>-</u>	<u>1,085,295</u>	<u>(1,085,295)</u>	<u>-</u>
Total Revenue, Support, and Gains	<u>2,242,471</u>	<u>2,537,782</u>	<u>4,780,253</u>	<u>1,459,383</u>	<u>8,225,203</u>	<u>9,684,586</u>
Expenses and Losses						
Program services expenses	1,439,804	-	1,439,804	1,502,370	-	1,502,370
Supporting services expenses	<u>207,804</u>	<u>-</u>	<u>207,804</u>	<u>249,120</u>	<u>-</u>	<u>249,120</u>
Total Expenses and Losses	<u>1,647,608</u>	<u>-</u>	<u>1,647,608</u>	<u>1,751,490</u>	<u>-</u>	<u>1,751,490</u>
Change in Net Assets	594,863	2,537,782	3,132,645	(292,107)	8,225,203	7,933,096
Net Assets, Beginning of Year	<u>2,045,207</u>	<u>21,998,881</u>	<u>24,044,088</u>	<u>2,337,314</u>	<u>13,773,678</u>	<u>16,110,992</u>
Net Assets, End of Year	<u>\$ 2,640,070</u>	<u>\$ 24,536,663</u>	<u>\$ 27,176,733</u>	<u>\$ 2,045,207</u>	<u>\$ 21,998,881</u>	<u>\$ 24,044,088</u>

*Includes changes in beneficial interests in charitable trusts and community foundations.

The accompanying notes are an integral part of this statement.

PALOMAR COLLEGE FOUNDATION
Statement of Functional Expenses
Years Ended December 31, 2023 and December 31, 2022

	2023				2022			
	Program Services	Support Services		Total 2023	Program Services	Support Services		Total 2022
	Educational Programs	Management and General	Fundraising & Development		Educational Programs	Management and General	Fundraising & Development	
Grants and other assistance	\$ 623,031	\$ -	\$ -	\$ 623,031	\$ 567,320	\$ -	\$ -	\$ 567,320
Scholarships	253,925	-	-	253,925	404,845	-	-	404,845
Donated services and facilities	562,848	59,596	39,730	662,174	530,205	56,139	37,426	623,770
Salaries and benefits	-	7,311	3,133	10,444	-	36,735	15,744	52,479
Advertising and promotion	-	-	5,213	5,213	-	-	2,397	2,397
Professional services	-	36,300	-	36,300	-	39,600	-	39,600
Investment management fees	-	61,587	-	61,587	-	42,857	-	42,857
Bank and merchant fees	-	-	(345)	(345)	-	-	2,138	2,138
Training and development	-	20,984	-	20,984	-	21,623	-	21,623
Printing and duplicating	-	1,959	-	1,959	-	388	-	388
Travel and conference	-	3,583	-	3,583	-	4,281	-	4,281
Audit and tax preparation	-	13,720	-	13,720	-	12,800	-	12,800
Office expenses	-	3,015	-	3,015	-	1,868	-	1,868
Membership and board meetings	-	4,524	-	4,524	-	10,255	-	10,255
Donor stewardship	-	2,362	-	2,362	-	1,597	-	1,597
Insurance	-	5,001	-	5,001	-	4,426	-	4,426
Other operating expenses	-	1,587	-	1,587	-	1,572	-	1,572
Other special events expenses	-	-	87,008	87,008	-	-	69,623	69,623
Depreciation	-	131	-	131	-	131	-	131
Total expenses by function	1,439,804	221,660	134,739	1,796,203	1,502,370	234,272	127,328	1,863,970
Less expenses included with revenues on the statement of activities								
Investment management fees	-	(61,587)	-	(61,587)	-	(42,857)	-	(42,857)
Cost of direct benefits to donors	-	-	(87,008)	(87,008)	-	-	(69,623)	(69,623)
Total expenses included in the expense section on the statement of activities	\$ 1,439,804	\$ 160,073	\$ 47,731	\$ 1,647,608	\$ 1,502,370	\$ 191,415	\$ 57,705	\$ 1,751,490

The accompanying notes are an integral part of this statement.

PALOMAR COLLEGE FOUNDATION

Statement of Cash Flows

Years Ended December 31, 2023 and December 31, 2022

	2023	2022
Cash Flows from Operating Activities		
Receipts from special events	\$ 187,564	\$ 162,145
Receipts from grants and contributions	798,172	11,477,413
Receipts from interest and dividends	573,854	587,821
Payments for grants and scholarships	(882,904)	(977,768)
Payments for salaries and benefits	(10,444)	(52,479)
Payments for other expenses	(256,586)	(213,938)
Net Cash Used For Operating Activities	409,656	10,983,194
Cash Flows from Investing Activities		
Proceeds from sale of investments	11,179	(60,750)
Purchases of investments	(420,820)	(10,774,984)
Net Cash From Investing Activities	(409,641)	(10,835,734)
Net Change in Cash and Cash Equivalents	15	147,460
Cash and Cash Equivalents, Beginning of Year	1,703,862	1,556,402
Cash and Cash Equivalents, End of Year	\$ 1,703,877	\$ 1,703,862
Reconciliation of Change in Net Assets to Net Cash Used For Operating Activities		
Change in net assets	\$ 3,132,645	\$ 7,933,096
Adjustments to reconcile change in net assets to net cash:		
Depreciation	131	131
Unrealized investment gains/losses	(2,497,780)	2,936,824
Realized investment gains/losses	(11,179)	60,750
(Increase) Decrease in assets		
Accounts receivable	(198,125)	56,509
Increase (Decrease) in liabilities		
Accounts payable	(10,088)	1,487
Deferred revenue	-	-
Payable to beneficiaries of charitable remainder trusts	(5,948)	(5,603)
Net Cash Used For Operating Activities	\$ 409,656	\$ 10,983,194

The accompanying notes are an integral part of this statement.

PALOMAR COLLEGE FOUNDATION

Notes to the Financial Statements

Years Ended December 31, 2023 and December 31, 2022

A. Principal Activity and Summary of Significant Accounting Policies

Organization

Palomar College Foundation (Foundation) is a California nonprofit organization established in 1959 to secure supplemental funding and other resources for the benefit of the students and faculty of Palomar Community College District (District). The Foundation's programs include student scholarships, faculty grants, donor-designated funds, and special projects. The Foundation receives contributions to support the students and programs of the District.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recorded in the accounting period they become both measurable and available. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Entities, and Accounting Standards Update (ASU) No. 2016-14 Presentation of Financial Statements of Not-for-Profit Entities. Under ASC 958 and ASU No. 2016-14, the Foundation is required to report information regarding its financial position and activities to two classes of net assets; net assets with donor restrictions and net assets without donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

Accounts Receivable

Accounts receivable consist primarily of non-interest-bearing amounts due for scholarships, grants, and fundraising activities. The Foundation determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. As of December 31, 2023 and 2022, no allowance for uncollectible accounts has been recorded.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Acquisitions of property and equipment of \$500 or more are capitalized and are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

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 are available for use in general operations and not subject to donor restrictions. The governing board has designated an operating reserve within the net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

Donated Services and Facilities

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and developing activities. The financial statements represent the fair market value for professional services that can be quantified. The financial statements do not reflect the value of contributed services that do not meet recognition criteria prescribed by generally accepted accounting principles. Donated facilities are recorded at fair value at the date of donation.

Advertising

Advertising costs are expensed as incurred and approximated \$5,213 and \$2,397 during the years ended December 31, 2023 and December 31, 2022.

Functional Allocation of Expenses

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

Income Taxes

The Palomar College Foundation is organized as a California nonprofit corporation and is recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3). Contributions to the Foundation qualify for the charitable contribution under IRC Sections 170(b)(1)(A)(vi) and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Foundation is required to file an annual Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the Foundation is not subject to unrelated business income tax and therefore have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. The federal income tax and informational returns are subject to examination by the Internal Revenue Service for three years after the returns are filed.

The Foundation is also exempt from California franchise or income tax under Section 23701d of the California Revenue and Taxation Code. The Foundation is required to file a California Exempt Organization Annual Information Return (Form 199) each fiscal year with the California Franchise Tax Board. In addition, the Foundation is required to file an Annual Registration Renewal Fee Report to Attorney General of California (Form RRF-1) to the California Registry of Charitable Trusts. The state income tax and informational returns are subject to examination by the California Franchise Tax Board for four years after the returns are filed.

The Foundation follows provisions of uncertain tax positions as addressed in ASC 958. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the Years Ended December 31, 2023 and December 31, 2022.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members and individuals supportive of the Foundations mission. Investments are made by diversified investment managers whose performance is monitored by the board of directors for the Foundation. Although fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

New Accounting Guidance

The Financial Accounting Standards Board (FASB) regularly issues Accounting Standards Updates (ASU). These updates are issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The Foundation adheres to updated accounting guidelines as they become effective. For the years ended December 31, 2023 and December 31, 2022 there were no changes that resulted in adjustments to ending net position.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 15, 2024, the date the financial statements were available to be issued.

B. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Year Ended December 31,	
	2023	2022
Cash and cash equivalents	\$ 1,703,877	\$ 1,703,862
Accounts receivable	225,151	27,026
Endowment spending-rate distributions and appropriations	933,061	804,097
	\$ 2,862,089	\$ 2,534,985

Endowment funds consist of donor-restricted endowments. Income earned on donor-restricted endowments remains restricted for the same purpose, except for annual distributions from the Endowment based on the distribution policy set forth by the Endowment Advisory Board, a subcommittee of the Foundation’s Board of Directors. Annual distributions from the Endowment range from 3-5% of the Endowment per the distribution policy. Donor-restricted endowment funds are not available for general expenditures.

As part of the Foundation’s liquidity management plan, cash in excess of daily requirements is invested in short-term investments, certificates of deposit, and money market funds.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

C. Fundraising Expense

For the years ended December 31, 2023 and December 31, 2022 the Foundation incurred fundraising expenses of \$134,739 and \$127,328 which are 13.88% and 1.14% of special events and contribution revenue, respectively.

D. Property and Equipment

Property and equipment consists of the following:

	2023	2022
Furniture and equipment	\$ 35,329	\$ 35,329
Less accumulated depreciation	(34,967)	(34,836)
Property and equipment, net	\$ 362	\$ 493

E. Fair Value Measurements and Disclosures

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets that can be accessed on the measurement date.

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

Level 3 - Unobservable inputs for the asset. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk, or liquidity profile of the asset.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

The following table presents assets measured at fair value on a recurring basis at December 31, 2023:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charitable Trusts				
Fixed Income Taxable	\$ 49,385	\$ 49,385	\$ -	\$ -
US Equity	53,562	53,562	-	-
International Equity	27,206	27,206	-	-
Total	<u>130,153</u>	<u>130,153</u>	<u>-</u>	<u>-</u>
Endowment - Community Foundation				
Cash	42,239	42,239	-	-
Fixed Income Taxable	165,830	-	165,830	-
US Equity	217,622	-	217,622	-
International Equity	185,626	-	185,626	-
Total	<u>611,317</u>	<u>42,239</u>	<u>569,078</u>	<u>-</u>
Endowment - Other				
Cash	51,154	51,154	-	-
Fixed Income Taxable	5,861,129	5,861,129	-	-
US Equity	6,616,635	6,616,635	-	-
International Equity	4,721,035	4,721,035	-	-
Emerging Markets	388,197	388,197	-	-
Real Asset Securities	581,449	581,449	-	-
Dynamic Asset Allocation	445,869	-	445,869	-
Alternative Investments	1,327,744	-	1,327,744	-
Total	<u>19,993,212</u>	<u>18,219,599</u>	<u>1,773,613</u>	<u>-</u>
Operating Investments				
Cash	18,208	18,208	-	-
Fixed Income Taxable	1,477,272	1,477,272	-	-
US Equity	1,425,013	1,425,013	-	-
International Equity	722,784	722,784	-	-
Emerging Markets	41,951	41,951	-	-
Real Asset Securities	127,236	127,236	-	-
Dynamic Asset Allocation	436,507	-	436,507	-
Alternative Investments	286,746	-	286,746	-
Total	<u>4,535,717</u>	<u>3,812,464</u>	<u>723,253</u>	<u>-</u>
Total Investments	<u>\$ 25,270,399</u>	<u>\$ 22,204,455</u>	<u>\$ 3,065,944</u>	<u>\$ -</u>

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

The following table presents assets measured at fair value on a recurring basis at December 31, 2022:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Charitable Trusts				
Fixed Income Taxable	\$ 84,658	\$ 84,658	\$ -	\$ -
US Equity	80,645	80,645	-	-
International Equity	45,494	45,494	-	-
Total	210,797	210,797	-	-
Endowment - Community Foundation				
Cash	24,476	24,476	-	-
Fixed Income Taxable	155,792	-	155,792	-
US Equity	201,488	-	201,488	-
International Equity	183,093	-	183,093	-
Total	564,849	24,476	540,373	-
Endowment - Other				
Cash	5,670	5,670	-	-
Fixed Income Taxable	5,345,397	5,345,397	-	-
US Equity	5,437,742	5,437,742	-	-
International Equity	4,040,782	4,040,782	-	-
Emerging Markets	354,633	354,633	-	-
Real Asset Securities	544,403	544,403	-	-
Dynamic Asset Allocation	611,701	-	611,701	-
Alternative Investments	752,841	-	752,841	-
Total	17,093,169	15,728,627	1,364,542	-
Operating Investments				
Fixed Income Taxable	1,165,893	1,165,893	-	-
US Equity	1,130,418	1,130,418	-	-
International Equity	487,710	487,710	-	-
Emerging Markets	29,545	29,545	-	-
Real Asset Securities	111,902	111,902	-	-
REIT	17,177	17,177	-	-
Dynamic Asset Allocation	729,905	-	729,905	-
Alternative Investments	810,434	-	810,434	-
Total	4,482,984	2,942,645	1,540,339	-
Total Investments	\$ 22,351,799	\$ 18,906,545	\$ 3,445,254	\$ -

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

F. Cash and Cash Equivalents

Cash and cash equivalents for the years ended December 31, 2023 and December 31, 2022 were:

	<u>2023</u>	<u>2022</u>
California Bank & Trust Checking	\$ 253,735	\$ 276,696
Petty Cash	400	336
Money Market Funds	<u>1,449,742</u>	<u>1,426,830</u>
Total	<u>\$ 1,703,877</u>	<u>\$ 1,703,862</u>

Amounts held in California Bank & Trust exceed FDIC insurance limitations by \$3,735 as of December 31, 2023 and \$26,696 as of December 31, 2022 and were therefore exposed to custodial credit risk.

Money market funds are not insured by the FDIC and are therefore exposed to custodial credit risk. The Foundation has not experienced losses in these accounts.

G. Investments

Investments for the years ended December 31, 2023 and December 31, 2022 were:

	<u>2023</u>	<u>2022</u>
Restricted Cash and Cash Equivalents	\$ 111,601	\$ 30,146
Fixed Income Investments	7,553,616	6,751,740
US Equity	8,312,832	6,850,293
International Equity	5,656,651	4,757,079
Emerging Markets	430,148	384,178
Real Asset Securities	708,685	656,305
REIT	-	17,177
Dynamic Asset Allocation	882,376	1,341,606
Alternative Investments	<u>1,614,490</u>	<u>1,563,275</u>
Total	<u>\$ 25,270,399</u>	<u>\$ 22,351,799</u>

Investment returns for the years ended December 31, 2023 and December 31, 2022 were:

	<u>2023</u>	<u>2022</u>
Realized gain (loss) on investments	\$ 11,179	\$ (60,750)
Unrealized gain (loss) on investments	2,497,780	(2,936,824)
Investment fees	<u>(61,587)</u>	<u>(42,856)</u>
Investment return, net	<u>\$ 2,447,372</u>	<u>\$ (3,040,430)</u>
Interest and dividends	<u>\$ 573,854</u>	<u>\$ 587,821</u>

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

Investment Accounting Policy

The Foundation's general policy is to report money market investments and short-term participating interest-earning investment contracts at cost with all other investments being reported at fair value unless a legal contract exists which guarantees a higher value.

All funds of the Foundation are invested in a prudent manner with the intention to pursue a long-term investment objective of consistent capital growth through priority objectives of a) preservation of capital, b) liquidity sufficient for annual spending, and c) long-term income growth. Diversification policy states that no security shall exceed 2% of the portfolio (excluding treasury and agency securities and commingled fund vehicles) and bond quality shall be a minimum weighted average fixed income rating of "A" grade with bond maturity having an average duration not to exceed seven years.

The Foundation's policy for endowments and endowed scholarship funds states that the endowed principal will be invested in those assets which have the highest statistical probability of preserving, in real rather than nominal terms, the corpus, while generating the maximum possible rate of return. Investment parameters include a) investing the funds on a long-term basis (five years or more), consistent capital growth, preserving the principal, and accepting minimal market risk.

H. Accounts Receivable

Accounts receivable consists of scholarship donations, associates dues, grants receivable and special events receivables. Balances in accounts receivable for the years ended December 31, 2023 and December 31, 2022 were \$225,151 and \$27,026 respectively. All amounts are anticipated to be collected and as such there has been no allowance for doubtful accounts established.

I. Beneficial Interests in Assets Held by Charitable Trusts

The Foundation acts as trustee for various irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period, or upon the occurrence of a specific event. Since the trusts are irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the donor-restricted purpose stipulated by the trust agreement, or both, if any. At that time, net assets with donor-imposed time or purpose restrictions are released to net assets without restrictions, and net assets with donor restrictions that are perpetual in nature are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of the receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

In subsequent years, the liability for future annuity payments is reduced by the payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

All gift annuities are negotiated between the Foundation and the donor/annuitant, and based on the rate tables approved by the California Insurance Commissioner for gift annuity agreements. The assets are included in investments held under split-interest agreements and the liabilities for the net present value of the annuity payments are included in payable to beneficiaries in the statements of financial position.

Activity for the years ended December 31, 2023 and December 31, 2022 in beneficial interests in assets held by charitable trusts were:

	Charitable Trusts	
	2023	2022
Balance - Beginning of Year	\$ 210,797	\$ 273,375
Purchases/contributions of investments	-	-
Investment return, net	32,266	(55,078)
Distributions	(112,910)	(7,500)
Balance - End of Year	\$ 130,153	\$ 210,797

J. Payables to Charitable Trusts Beneficiaries

The Foundation has received contributions under charitable gift annuities. The Foundation agrees to pay a stated amount annually to the beneficiaries as long as they live, at which time, the remaining assets are available for use by the Foundation.

The principal valuation technique for the split interest agreements is the present value of beneficial interests. As of December 31, 2023 and December 31, 2022 the range of significant input values in the split interest trusts reflected discount rates ranging from 1.2%-4.2% with a payout rate ranging from 5.00%-11.02%. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate and evaluates and adjusts the inputs used in the fair value measurements based on current market conditions and third-party information.

Future amounts payable to beneficiaries from the charitable gift annuities are as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$ 6,313	\$ 1,187	\$ 7,500
2025	6,700	800	7,500
2026	7,111	389	7,500
2027	2,000	1,750	3,750
Total	\$ 22,124	\$ 4,126	\$ 26,250

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

K. Endowment

The Foundation's endowments consists of sixty five individual funds established by donors to provide annual funding for specific activities and general operations. The Foundation's board of directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of December 31, 2023 and 2022, there were no stipulations.

As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including contributions receivable, net of discount and allowance for doubtful accounts) donated to the endowment funds 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 by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, (7) the investment policies of the organization.

As of December 31, 2023 and December 31, 2022, the Foundation had the following endowment net asset composition:

	2023	2022
Donor-restricted endowment funds		
Original donor restricted gift amounts	\$ 18,540,573	\$ 17,998,775
Accumulated investment gains	2,063,956	(340,757)
	\$ 20,604,529	\$ 17,658,018

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023 there were four funds in the endowment considered to be underwater endowments as a direct result of investment losses. At December 31, 2022 there were seventeen funds in the endowment considered to be underwater endowments as a direct result of investment losses. The Foundation is monitoring underwater endowments closely and anticipates market corrections to restore balances over the next couple of years.

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowments that seek to provide adequate funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over the long-term, rates of return should be sufficient to maintain the purchasing power of the Endowment assets, provide necessary capital to fund its spending policies, and cover the costs of managing the Endowment investments. The investment objective of the Endowments is to provide for a disciplined longer-term and risk and return investment program that is consistent with the needs of a permanent endowment. Actual returns in any given year may vary from targeted amounts. To satisfy their long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Generally, a significant portion of the funds are invested to seek growth of principal over time

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowments, including those endowments deemed to be underwater, each year. In determining amounts to spend, the Endowment Advisory Board evaluates the average fair value of the Endowment investments for the prior twelve quarters at June 30 of each year to determine the spending amount for the upcoming year. In establishing this policy, the Foundation considered the long-term expected return on the Endowments and set the rate with the objective of maintaining the purchasing power of the Endowment over time. During the years ended December 31, 2023 and December 31, 2022 the Endowment spending rate was limited to 4.5%. Actual spending from the endowment funds were equal to 1.37% for the year ended December 31, 2023 and 1.03% for the year ended December 31, 2022.

Changes in Endowment net assets for the years ended December 31, 2023 and December 31, 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 17,658,018	\$ 8,860,483
Contributions	882,555	10,451,733
Investment return, net	2,317,881	(1,559,742)
Distributions pursuant to distribution policy	<u>(253,925)</u>	<u>(94,456)</u>
Endowment net assets, end of year	<u>\$ 20,604,529</u>	<u>\$ 17,658,018</u>

PALOMAR COLLEGE FOUNDATION
Notes to the Financial Statements (Continued)
Years Ended December 31, 2023 and December 31, 2022

L. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Subject to purpose restrictions:		
Trust accounts	\$ 1,185,589	\$ 1,072,053
Financial aid	321,734	288,831
Palomar Promise	687,324	614,298
Steinberg funds	846,791	751,045
Charitable trusts	130,153	210,797
Other restrictions	630,390	1,193,042
Endowments:		
Subject to endowment spending and distribution policy	20,734,682	17,868,815
Total net assets with donor restrictions	<u>\$ 24,536,663</u>	<u>\$ 21,998,881</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2023 and December 31, 2022:

	2023	2022
Purpose restrictions met	\$ 755,565	\$ 990,839
Restricted-purpose spending-rate distributions		
Endowment funds	253,925	94,456
Net assets released from restriction	<u>\$ 1,009,490</u>	<u>\$ 1,085,295</u>

M. Donated Services and Facilities

During the fiscal years ended December 31, 2023 and December 31, 2022, the Foundation received \$662,174 and \$623,770 in donated services and facilities.

N. Upcoming Changes in Accounting Pronouncements

The Financial Accounting Standards Board (FASB) regularly issues Accounting Standards Updates (ASU). These updates are issued to provide clarification and simplification in accounting for certain transactions. In addition, they provide for additional note disclosures to create transparency involving these transactions. The updates effective during the next fiscal year are not expected to impact the financial accounting or presentation for the Foundation.

PALOMAR COLLEGE FOUNDATION
Summary of Audit Results
Years Ended December 31, 2023 and December 31, 2022

FINANCIAL STATEMENTS

	<u>2023</u>	<u>2022</u>
Type of auditor's report issued:	Unmodified	Unmodified
Noncompliance material to financial statements noted?	No	No
Material misstatements noted?	No	No
Audit findings noted?	No	No