

THE SAN BRUNO COMMUNITY FOUNDATION

**Financial Statements and
Report of Independent Auditors**

**For the year ended June 30, 2019
with comparative totals as of and
for the year ended June 30, 2018**

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Report of Independent Auditors

To the Board of Directors of
The San Bruno Community Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of The San Bruno Community Foundation, a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Bruno Community Foundation as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The San Bruno Community Foundation's financial statements for the year ended June 30, 2018, and our report dated October 29, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein 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 to the financial statements, in 2019, The San Bruno Community Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Novogradac & Company LLP

Petaluma, California
October 24, 2019

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019
with comparative totals as of June 30, 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 265,726	\$ 530,317
Investments (See Note 4)	75,295,912	73,224,409
Pledges receivable	-	5,000
Interest receivable	3,735	33,294
Prepaid expenses	15,415	14,810
Deposits	<u>1,253</u>	<u>1,253</u>
 Total assets	 <u>\$ 75,582,041</u>	 <u>\$ 73,809,083</u>

LIABILITIES

Accounts payable	\$ 30,318	\$ 30,340
Accrued scholarships	182,500	140,000
Accrued grants payable	<u>6,321,547</u>	<u>775,622</u>
Total liabilities	6,534,365	945,962

NET ASSETS

Without donor restriction		
Board designated	17,980,690	17,511,975
Non-designated	50,662,240	54,950,392
With donor restriction	<u>404,746</u>	<u>400,754</u>
Total net assets	<u>69,047,676</u>	<u>72,863,121</u>
 Total liabilities and net assets	 <u>\$ 75,582,041</u>	 <u>\$ 73,809,083</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	2019			2018
	Without donor restriction	With donor restriction	Total	Total
REVENUE AND OTHER SUPPORT				
Restricted donations	\$ -	\$ 121,492	\$ 121,492	\$ 647,754
Investment return, net	3,482,240	-	3,482,240	2,477,010
Miscellaneous income	177,638	-	177,638	2,000
Net assets released from restrictions	117,500	(117,500)	-	-
Total revenue and other support	<u>3,777,378</u>	<u>3,992</u>	<u>3,781,370</u>	<u>3,126,764</u>
EXPENSES				
Program expense	7,447,899	-	7,447,899	1,671,834
Management and general	148,916	-	148,916	144,814
Total expenses	<u>7,596,815</u>	<u>-</u>	<u>7,596,815</u>	<u>1,816,648</u>
CHANGE IN NET ASSETS	(3,819,437)	3,992	(3,815,445)	1,310,116
NET ASSETS AT BEGINNING OF YEAR	<u>72,462,367</u>	<u>400,754</u>	<u>72,863,121</u>	<u>71,553,005</u>
NET ASSETS AT END OF YEAR	<u>\$ 68,642,930</u>	<u>\$ 404,746</u>	<u>\$ 69,047,676</u>	<u>\$ 72,863,121</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>2018 Total</u>
PERSONNEL EXPENSES				
Salaries and wages	\$ 122,779	\$ 66,112	\$ 188,891	\$ 183,389
Payroll taxes and benefits	20,375	10,970	31,345	31,179
Total personnel expenses	<u>143,154</u>	<u>77,082</u>	<u>220,236</u>	<u>214,568</u>
OTHER EXPENSES				
Scholarships	120,000	-	120,000	120,000
Grants	7,101,888	-	7,101,888	1,323,900
Rent	9,527	5,130	14,657	14,104
Insurance	-	17,705	17,705	17,853
Telecommunications	1,183	637	1,820	1,816
Postage and shipping	1,264	680	1,944	1,804
Marketing and communications	9,379	2,128	11,507	10,079
Office supplies	652	981	1,633	1,802
Legal fees	15,639	10,071	25,710	30,126
Accounting and payroll fees	-	28,991	28,991	30,180
Other professional services	45,077	2,275	47,352	46,278
Travel, meetings and conferences	136	2,032	2,168	2,864
Miscellaneous	-	1,204	1,204	1,274
Total other expenses	<u>7,304,745</u>	<u>71,834</u>	<u>7,376,579</u>	<u>1,602,080</u>
TOTAL EXPENSES	<u>\$ 7,447,899</u>	<u>\$ 148,916</u>	<u>\$ 7,596,815</u>	<u>\$ 1,816,648</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,815,445)	\$ 1,310,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized/unrealized gain on investments	(1,633,995)	(862,459)
(Decrease) increase in assets:		
Pledges receivable	5,000	(5,000)
Interest receivable	29,559	9,338
Prepaid expenses	(605)	(6,101)
Increase (decrease) in liabilities:		
Accounts payable	(22)	6,895
Accrued scholarships	42,500	-
Accrued grants payable	5,545,925	278,060
Net cash provided by operating activities	172,917	730,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal from deposits	-	82
Purchases of securities	(437,508)	(461,071)
Net cash used in investing activities	(437,508)	(460,989)
Net (decrease) increase in cash and cash equivalents	(264,591)	269,860
Cash and cash equivalents at beginning of year	530,317	260,457
Cash and cash equivalents at end of year	\$ 265,726	\$ 530,317

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

1. Organization

The San Bruno Community Foundation (the “Foundation”), a California nonprofit corporation, was organized in 2013 as a public benefit 501(c)(3) nonprofit corporation and has been determined to be a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code (“IRC”). Pursuant to the settlement agreement dated March 12, 2012, between Pacific Gas & Electric Company (“PG&E”) and the City of San Bruno (the “City”), both parties agreed to resolve and settle all claims arising out of the September 9, 2010 pipeline incident (the “Settlement Agreement”). The terms required PG&E to contribute a total of \$70 million to the City, which comprised of 1) five vacant plots of land in the Glenview (Crestmoor) neighborhood, which had a total fair market value of \$1,250,000 and 2) \$68,750,000 in cash, to transfer to a tax-exempt, nonprofit public purpose entity. Hence, the Foundation was created from the Settlement Agreement. The Foundation engages primarily in the administration of PG&E restitution funds and building community partnerships.

The Foundation’s goals serve the San Bruno community by investing in projects, programs, services, and facilities that have significant and lasting benefits. Through making grants, leveraging partnerships, and taking advantage of other resources, the Foundation assists and enables the community to maximize shared investments and realize their subsequent enhancements and benefits.

2. Summary of significant accounting policies

Basis of accounting

The Foundation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. The Foundation’s year end for tax and financial reporting purposes is June 30.

Basis of presentation

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions:

Net assets available for use in general operations and not subject to donor restrictions. The Foundation’s governing board has designated, from net assets without donor restriction, long-term funds held in the quasi-endowment pool.

Net assets with donor restrictions:

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior period comparison

The financial statements include certain prior-period summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended June 30, 2018, from which the summarized information was derived.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition. As of June 30, 2019 and 2018, cash and cash equivalents consist of the following:

	<u>2019</u>	<u>2018</u>
Cash - operating	\$ 206,332	\$ 513,818
Liquidity fund cash	<u>59,394</u>	<u>16,499</u>
Total cash and cash equivalents	<u>\$ 265,726</u>	<u>\$ 530,317</u>

Concentration of credit risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposed to any one financial institution. The Foundation has not experienced any losses in such accounts.

Investments

The Foundation carries investments in various investment pools with readily determinable fair values and all investments are stated at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Fair value measurements

The Foundation applies the accounting provisions related to fair value measurements. These provisions define fair value as 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, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Foundation's own assumptions.

The following tables present the Foundation's assets that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2019 and 2018:

	June 30, 2019			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Liquidity pool	\$ 10,532,470	\$ -	\$ -	\$ 10,532,470
Strategic pool	46,782,752	-	-	46,782,752
Quasi-endowment pool	17,980,690	-	-	17,980,690
Total assets	<u>\$ 75,295,912</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,295,912</u>

	June 30, 2018			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Liquidity pool	\$ 339,226	\$ -	\$ -	\$ 339,226
Strategic pool	55,373,208	-	-	55,373,208
Quasi-endowment pool	17,511,975	-	-	17,511,975
Total assets	<u>\$ 73,224,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,224,409</u>

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Income taxes

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the IRC and Section 23701(d) of the California Revenue and Taxation Code and therefore, is generally exempt from both federal and state income taxes, except on net income derived from unrelated business activities.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken. Management has determined whether any tax positions have met the recognition threshold and has measured its exposure to those tax positions. Management believes that the Foundation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Foundation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Miscellaneous income

Miscellaneous income consists mostly of prior year grant and scholarship expenses that were written off as the actual amount due was less than the amount originally recorded. For the years ended June 30, 2019 and 2018, miscellaneous income was \$177,638 and \$2,000, respectively.

Scholarships expense

The Foundation offers three types of scholarships, which are defined as follows:

1. \$5,000 each year for four years, totaling \$20,000, for a high school student to attend a 4-year college.
2. \$2,500 each year for two years, totaling \$5,000, for a high school student to attend a 2-year community college.
3. \$5,000 each year for two years, totaling \$10,000, for a community college student who transfers to a 4-year college.

Members of the San Bruno community are eligible to apply for a scholarship. Scholarships are recognized when they have been awarded. Recipients are required to renew their scholarships for each year by submitting proof of full time enrollment for the following fall and certification of status as a student in good standing, by June 1 of each year. For each of the years ended June 30, 2019 and 2018, scholarship expense was \$120,000. As of June 30, 2019 and 2018, accrued scholarships payable was \$182,500 and \$140,000, respectively.

Grant expense

Grants are recognized when they are approved by the board, all significant conditions are met, all due diligence has been completed, and grant agreements have been executed. Grant refunds are recorded as a reduction of grant expense if the refund or notice of refund is received in the same fiscal year as the grant was expensed. For the years ended June 30, 2019 and 2018, grant expense was \$7,101,888 and \$1,323,900, respectively. As of June 30, 2019 and 2018, accrued grants payable was \$6,321,547 and \$775,622, respectively.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

The Statement of Functional Expenses reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. Other expenses have been allocated to programs and management and general based on estimates of time and effort.

Change in accounting principle

During 2019, the Foundation adopted the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. This change had no impact on the total change in net assets for 2018. The update addresses the complexity and understandability of net asset classification, information provided about expenses and investment return. The Foundation has adjusted the presentation of these financial statements accordingly. The change in presentation has been applied retrospectively to all periods presented.

Subsequent events

Subsequent events have been evaluated through October 24, 2019, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Liquidity and availability of financial assets

The following represents the Foundation's financial assets as of June 30:

Financial assets at year end:		
Cash and cash equivalents	2019	2018
Contributions receivable	\$ 265,726	\$ 530,317
Investments	-	5,000
Total financial assets	<u>75,295,912</u>	<u>73,224,409</u>
	<u>75,561,638</u>	<u>73,759,726</u>
Less amounts not available due to:		
Net assets with donor restrictions	404,746	400,754
Board designated quasi-endowment fund	17,980,690	17,511,975
Grants payable	6,321,547	775,622
Scholarship payable	182,500	140,000
	<u>24,889,483</u>	<u>18,828,351</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 50,672,155</u>	<u>\$ 54,931,375</u>

The Foundation's goal is generally to maintain financial assets to meet its operating and budgeted needs. As part of its liquidity plan, excess cash is invested in short-term investments, including mutual funds.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

4. Investments

Securities are stated at current market value and consist of the following as of June 30, 2019 and 2018:

	<u>Cost</u>	<u>2019 Market Value</u>
Liquidity pool	\$ 10,515,628	\$ 10,532,470
Strategic pool	45,022,465	46,782,752
Quasi-endowment pool	<u>16,188,750</u>	<u>17,980,690</u>
Total securities	<u>\$ 71,726,843</u>	<u>\$ 75,295,912</u>

	<u>Cost</u>	<u>2018 Market Value</u>
Liquidity pool	\$ 338,304	\$ 339,226
Strategic pool	55,130,952	55,373,208
Quasi-endowment pool	<u>15,929,143</u>	<u>17,511,975</u>
Total securities	<u>\$ 71,398,399</u>	<u>\$ 73,224,409</u>

5. Office lease

The Foundation entered into an office lease with San Bruno Office Associates, LLC, which expires on March 31, 2020. Current monthly payments are \$1,254. The monthly rent increases annually at a rate of 3% on April 1 of each year. For the years ended June 30, 2019 and 2018, office lease payments were \$14,657 and \$14,104, respectively. The Foundation's total minimum rental commitments for the lease for the year ending June 30, 2020 is \$11,079.

6. Employee benefit plan

Effective January 1, 2015, the Foundation established a tax-deferred annuity plan qualified under Section 403(b) of the IRC for its employees. The Foundation makes non-matching contributions equal to 5% of the gross salary for individual employees. In both March 2019 and March 2018, an additional, one-time, non-matching contribution was made. For the years ended June 30, 2019 and 2018, \$18,772 and \$18,226, respectively, was contributed by the Foundation on behalf of its employees.

7. Net assets with donor restriction

Net assets with donor restriction consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Community Grants Fund	\$ 100,000	\$ 100,000
First Responder Effectiveness Strategic Initiative	303,546	300,754
Recreation & Aquatic Memorial Bench	<u>1,200</u>	<u>-</u>
Total net assets with donor restriction	<u>\$ 404,746</u>	<u>\$ 400,754</u>

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2019

with comparative totals as of and for the year ended June 30, 2018

7. Net assets with donor restriction (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2019</u>	<u>2018</u>
Community Grants Fund	\$ 100,000	\$ 100,000
Pedestrian Safety Strategic Initiative	-	126,000
Community Day	<u>17,500</u>	<u>21,000</u>
Total net assets released from restrictions	<u>\$ 117,500</u>	<u>\$ 247,000</u>