

# SAN BRUNO

## Community Foundation

### *Board of Directors*

Frank Hedley, *President* • Emily Roberts, *Vice President* • John P. McGlothlin, *Secretary* • Tim Ross, *Treasurer*  
Patricia Bohm • Nancy A. Kraus • Jim Ruane  
Leslie Hatamiya, *Executive Director*

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## AGENDA

### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Board of Directors

**November 6, 2019**

**7:00 p.m.**

#### **Meeting Location:**

**San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno**

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

**1. Call to Order/Welcome**

**2. Roll Call**

**3. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.

**4. Approval of Minutes:** September 4, 2019, Regular Board Meeting

**5. Executive Director's Report**

**6. Consent Calendar:** All items are considered routine or implement an earlier Board action and may be enacted by one motion; there will be no separate discussion unless requested by a Board Member or staff.

a. Receive and Approve Treasurer's Report (August and September 2019 Financial Statements)

b. Adopt Resolution Ratifying Creation of Ad Hoc Committee on Gift Acceptance Policy

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## **7. Conduct of Business**

- a. Receive Report from Novogradac & Company LLP Regarding the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2019, Adopt Resolution Approving the Audited Financial Statements for the Year Ended June 30, 2019, and Receive Report from Audit Committee
- b. Receive Report from Ad Hoc Committee on Recreation and Aquatics Center Project
- c. Receive Report from Ad Hoc Committee on Crestmoor Scholarship and Adopt Resolution Increasing Fiscal Year 2019-2020 Program Budget for the Crestmoor Neighborhood Memorial Scholarship to \$160,000
- d. Receive Report on Other Programs (Community Grants Fund, Other Strategic Grants)
- e. Receive Report from Ad Hoc Committee on Gift Acceptance Policy and Adopt Resolution Adopting Gift Acceptance Policy
- f. Receive Report from Ad Hoc Committee on Board Development
- g. Elect Officers for 2020

## **8. Board Member Comments**

## **9. Adjourn**

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## MINUTES

### SAN BRUNO COMMUNITY FOUNDATION

#### Regular Meeting of the Board of Directors

**September 4, 2019**

**7:00 p.m.**

#### **Meeting Location:**

**San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno**

- 1. Call to Order/Welcome:** President Frank Hedley called the meeting to order at 7:00 p.m.
- 2. Roll Call:** Board Members Hedley, Roberts, McGlothlin, Ross, Bohm, Kraus, and Ruane, present.
- 3. Public Comment:** None.
- 4. Presentation:** Recognition of Dr. Regina Stanback Stroud for Service on the San Bruno Community Foundation Board of Directors

President Hedley stated that Dr. Regina Stanback Stroud resigned from the Foundation Board at the end of June to coincide with her retirement as President of Skyline College this summer. On behalf of the Board, President Hedley recognized Dr. Stanback Stroud with a proclamation from the San Bruno Community Foundation outlining her significant contributions to the Foundation as a founding member of the Board of Directors and presented her with gifts from the Board. Other Board members shared memories of working with Dr. Stanback Stroud and lauded her for her contributions to the Foundation and Skyline College.

- 5. Approval of Minutes:** June 5, 2019, Regular Board Meeting: Vice President Roberts moved to approve the minutes of the June 5, 2019, Regular Board Meeting, seconded by Board Member Kraus, approved unanimously.

- 6. Executive Director's Report:** Executive Director Leslie Hatamiya announced that the Foundation's Annual Report was mailed to all San Bruno addresses the previous day, that the San Bruno City Council approved the Foundation's fiscal year 2019-2020 budget on June 25, and that website traffic and e-newsletter readership have remained stable in recent months.

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### **7. Consent Calendar**

- a. Adopt Resolution Canceling the October 2, 2019, Regular Board Meeting
- b. Receive and Approve Treasurer's Report (May, June, and July 2019 Financial Statements)

Secretary McGlothlin moved to accept the Consent Calendar as presented, seconded by Board Member Bohm, approved unanimously.

### **8. Conduct of Business**

- a. Receive Report from Investment Committee and Presentation from Sand Hill Global Advisors, LLC, Regarding SBCF's Investment Portfolio

Investment Committee Chair Ross gave a brief summary of the Committee's most recent quarterly meeting, which was held on August 21, 2019. He reported that the meeting included the quarterly report from the team at Sand Hill Global Advisors, LLC, the Foundation's investment adviser, and noted that the Committee is regularly spending time addressing the Foundation's cash flow needs in light of the Recreation and Aquatics Center project.

Chair Ross then introduced Brian Dombkowski, Sand Hill's CEO, and Senior Wealth Manager and San Bruno resident Kristin Sun to give the firm's annual presentation to the Board.

Mr. Dombkowski gave the firm's assessment of the economic and market outlook and described the market as late cycle in the longest economic expansion in U.S. history. He then reviewed the three pools of the Foundation's investment portfolio: (1) a Quasi-Endowment Pool, with a long-term time horizon following a classic endowment investment strategy (June 30, 2019, balance of \$17,992,176); (2) a Strategic Pool to be spent down on strategic projects and operations (June 30 balance of \$46,833,894), and (3) a Liquidity Pool to cover the Foundation's near-term cash needs (June 30 balance of \$10,600,536). He described the overall performance of the three pools of funds as positive, with a combined value, as of June 30, 2019, of \$75,426,606 and total value added since inception of \$9,382,313. Mr. Dombkowski concluded his presentation by remarking that the firm is committed to remaining an independent fiduciary and is honored to work on behalf of the Foundation and the San Bruno community.

- b. Receive Report on Music Education Strategic Initiative

Executive Director Hatamiya reminded the Board that in 2017 the Foundation launched a Music Education Strategic Initiative, investing \$495,000 through the San Bruno Education Foundation and the Capuchino High School Alumni Association in the music education programs of San Bruno's public schools. She then introduced SBEF Vice President Bryan Vander Lugt, Capuchino High School Principal Jesse Boise, and Capuchino Music Boosters President Jennifer Gomez to provide a report on the implementation of the Initiative over the past year and plans for the third year.

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Ms. Gomez and Mr. Boise reported on the growth in the music program at Capuchino High School. They thanked the Foundation for supporting the school's music programs.

Dr. Vander Lugt reported on the music offerings in the San Bruno Park School District, including offering general music education for every elementary school student in the district. He highlighted one of the top outcomes of the Initiative as the network of support among the school groups and other community groups that has developed. He reported on Music in the Air, the Initiative's first community concert through which SBEF raised \$80,000. He said SBEF is now focused on how it will continue to support the music programs after SBCF funds sunset and reported on plans for the second annual Music in the Air, which will be held in conjunction with SBPSD's Day of the Child on April 25, 2020. He also reported that SBEF compared SBEF's fundraising efforts with those of the Millbrae Education Foundation and realized that SBEF is doing well comparatively, with some underperformance in school family engagement.

Board Members expressed their appreciation to Dr. Vander Lugt, Ms. Gomez, Mr. Boise, and other school leaders in shepherding the Initiative and said the implementation is blossoming like the Board envisioned in approving the strategic grant.

#### c. Receive Report from Ad Hoc Committee on Recreation and Aquatics Center Project

On behalf of the Ad Hoc Committee on Recreation and Aquatics Center Project, President Hedley provided a brief update on the development of the new Recreation and Aquatics Center in San Bruno City Park. He reminded the Board that the Foundation is funding the project through a series of grants: The grant for architectural design services and the grant for project management services are paid out quarterly based on financial reports received from the City, and since the last Board meeting, the Foundation received reports for both grants and paid out grant payments of about \$466,000 and \$20,000, respectively, over the summer.

He also reported that project's schematic design phase continues and explained that, like projects developed by private parties, the City must go through the same planning and environmental clearance processes. He said a planning application is under review for the project and the California Environmental Quality Act (CEQA) review has begun (expected conclusion in the first quarter of 2020), that reviews before the City's Parks & Recreation Commission, Architectural Review Committee, and Planning Commission, City Council approval of the design, environmental review document, construction bid documents, and a Business Plan for the new facility, and issuing a request for proposals for demolition and construction are all scheduled to occur in 2020, with demolition and construction projected to take 20-22 months. He reported that regular programs, recreation activities, and annual events will continue to occur at the current pool and recreation center through next summer, including summer camps in 2020. He reported that City staff is working with the San Mateo Union High School District to investigate the use of the former Crestmoor High School site as a satellite Recreation Center while the new Recreation and Aquatics Center is developed and that the City is confident that most recreation and camp activities can be accommodated at alternative locations during construction, but aquatic operations will likely cease at the end of 2020 and will not resume until the new facility opens.

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Board members asked several questions about progress on the project, including why the pool will be closed during the construction phase.

d. Receive Report from Ad Hoc Committee on Crestmoor Scholarship

Board Member Bohm reported on behalf of the Committee, which was created in June to evaluate the Crestmoor Neighborhood Memorial Scholarship program and propose adjustments to the program in order to better achieve its goals of honoring the Crestmoor neighborhood and assisting outstanding San Bruno students in seeking post-secondary educational opportunities. Committee Member McGlothlin reported that the Committee has concluded that the program has been a success and does not plan to recommend any significant structural changes to the program. Rather, the Committee reported it is considering several tweaks to the program, including enhancing outreach efforts at Capuchino High School and Skyline College, increasing the annual program budget by \$40,000 to \$160,000, and considering external funding partners, as well as recommending the creation of an ad hoc committee to explore ways in which the Foundation could support vocational training through a strategic grant initiative. The Board discussed these ideas and expressed support for the adjustments.

In light of the Committee's proposal to consider soliciting gifts for the scholarship program, Board Member Bohm made a motion to create an ad hoc committee charged with developing a gift acceptance policy and appoint Board Members Bohm, Kraus, and Ruane to the committee, seconded by Board Member Kraus, approved unanimously.

Community Member Bryan Vander Lugt expressed concern about SBCF actively competing with SBEF and other community organizations for donors, negatively affecting the other organizations' ability to fundraise. Board members said that they appreciated Dr. Vander Lugt's viewpoint and would take it into consideration as the Committee finalized its proposals.

e. Receive Report on Other Programs (Community Grants Fund, Other Strategic Grants)

Executive Director Hatamiya and Program Consultant Stephanie Rutgers gave brief updates on the Foundation's other programs. With regard to the Community Grants Fund, Ms. Rutgers announced that the fourth iteration of the program was launched in early July, with a September 25 application deadline. She said one Grant Workshop was held in August, with a second scheduled for September 9. Finally, she said the Foundation is pleased to have the support of Google.org and YouTube again this year; with the Google/YouTube donation of \$100,000, the Foundation will award grants totaling \$300,000 in December.

Ms. Hatamiya then reported on various strategic grants. First, she reported on the First Responder Effectiveness Strategic Initiative, as the Board approved in June a second grant to the City of San Bruno, in an amount not to exceed \$303,545, to cover costs related to the acquisition of a mobile command vehicle that can be deployed at the scene of a critical incident, natural disaster, or planned large-scale event. She said the San Bruno Police Department is working with the vendor to finalize plans for the

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mobile command vehicle, and once the City Council has approved a contract with the vendor for construction and acquisition of the vehicle, the Foundation and the City will finalize and execute the grant agreement for this project. Second, she reported that the Foundation recently received the City's grant report for Community Day 2019, which was held on June 2, 2019, and that the Foundation will soon make to the City a grant payment of \$47,500 (including \$17,500 in sponsorships from community partners) to support Community Day. Finally, Ms. Hatamiya reported on the Schools Transformation strategic grant, and the Foundation should receive the grant report from the San Bruno Education Foundation soon.

f. Receive Report from Ad Hoc Committee on Board Development

On behalf of the Ad Hoc Committee on Board Development, Vice President Roberts reported that the San Bruno City Council appointed Board Member Jim Ruane to finish the term vacated by Dr. Regina Stanback Stroud, which concludes on December 31, 2019, and also appointed Mr. Ruane, Raul Gomez, and Malissa Netane to new four-year terms commencing on January 1, 2020. She reported that the Committee has been working on plans to onboard the new Board members this fall. The orientation includes the development of updated Board Resource Binders for all Board members, an electronic folder on Google Drive with key Foundation documents accessible to all Board members, in-person orientation training, and a strategic study session on the future of the Foundation with the support of an outside facilitator. Board members were supportive of the plans, and most discussion centered on the logistics of the study session, which the Committee hoped to include both outgoing and incoming Board members. City Attorney Marc Zafferano explained that under the Brown Act, outgoing, continuing, and incoming Board members could not all be seated as Board members in a single meeting, and that those who are not actually on the Board at the time of the gathering would be able to attend and participate as members of the public. Board members expressed waiting until 2020 when the new Board members would be seated on the Board to hold the strategic study session portion of the orientation.

g. Receive Report from Audit Committee Regarding Fiscal Year 2018-2019 Audit

On behalf of the Audit Committee, Chair McGlothlin reported that Foundation staff closed the fiscal year 2018-2019 accounting books and provided requested materials to the Foundation's certified public accounting firm for the annual audit, which is on track to be completed by the November Board meeting. He mentioned that the Audit Committee would be meeting on October 18 at City Hall to review the draft audited financial statements with the auditors, who are also preparing the Foundation's informational tax returns.

h. Discuss Upcoming Officer Elections for 2020 Term

President Hedley noted that under Board's officer elections process, the subject of officer elections is agendized at the meeting prior to taking nominations and holding the election to allow for Board discussion on this topic. President Hedley began the discussion by acknowledging that his two terms on the Board would conclude in December, complimenting Vice President Roberts, and recommending that the Board elect Vice President Roberts, to serve as president next year. He also encouraged the Board

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to support new Board Member Ruane, with his wealth of knowledge of the inner workings of the City of San Bruno, to serve as vice president. Several Board Members expressed support for President Hedley's suggestions, and Vice President Roberts and Board Member Ruane both expressed a willingness to serve in whatever capacity the Board thinks is appropriate. Vice President Roberts also supported Secretary McGlothlin and Treasurer Ross continuing in their officer roles. Secretary McGlothlin suggested that the Board should wait until the new Board members are seated in January 2020 to elect new officers but also acknowledged that the current process may not allow for that.

### **9. Board Member Comments**

At his first meeting as a Board Member, Mr. Ruane expressed his appreciation for being a part of the Board and noted that Monday, September 9, is the ninth anniversary of the gas pipeline explosion in the Crestmoor neighborhood. He asked that the meeting be adjourned in honor of those San Bruno community members who suffered from the explosion.

Board Member Kraus announced that the San Bruno Police Officers Association is partnering with the San Bruno Park School District to collect donations of school supplies to be distributed to children in need. She noted that the police officers would have a collection stand at the Shops at Tanforan on September 14-15, 2019, from 12:00 to 5:00 p.m.

**10. Adjourn:** Board Member Ruane moved to adjourn the meeting at 9:11 p.m. in honor of those who suffered from the 2010 gas pipeline explosion, seconded by Secretary McGlothlin, approved unanimously.

Respectfully submitted for approval at the Regular Board Meeting of November 6, 2019, by Secretary John McGlothlin and President Frank Hedley.

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John McGlothlin, Secretary

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Frank Hedley, President



# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Executive Director's Report

Since the September 4, 2019, Board meeting, I have continued to focus on administering the Community Grants Fund and Crestmoor Scholarship programs, partnering with the City on strategic projects, preparing for the FY2018-2019 audit, and supporting the Board Development, Crestmoor Scholarship, and Gift Acceptance Policy Committees, all of which will be covered during the business portion of the November 6, 2019, regular Board meeting. In addition, I have handled a variety of other matters, including the following:

#### **1. 2020 Board Meeting Calendar**

Although our Bylaws continue to list the first Wednesday of each month as the Board's regular meeting schedule, I anticipate that the Board will be able to follow the same Board meeting schedule in 2019 as it followed in 2018, based on the Foundation's program schedule and expected work flow:

- Regular Meetings in March, June, September, November, and December 2020 (March 4, June 3, September 2, November 4, and December 2)
- A Special Meeting in late January or early February 2020 for the Executive Director's annual performance review (date to be determined) and to conduct a study session for all Board members on the role of the Board and Board operations

This schedule will enable us to cancel the Regular Meetings in January, February, April, May, July, August, and October, although the Board may choose to hold special meetings on the regular meeting dates or other dates to hold study sessions as part of the strategic planning process. I will be in touch with Board members soon to schedule the January/February 2020 Special Meeting.

#### **2. Email Newsletter and Website Hits**

Since the September 4 Board meeting, I have sent out three email blasts to the Foundation's email distribution list. One reported on the September Board meeting, and the other two

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## Community Foundation

### Memorandum

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reminded community members of the Community Grants Fund application deadline. The Community Grants Fund deadline reminder sent out on September 15 received by far the most views. Of the approximately 680 emails sent each time, 34%-38% of the recipients opened the email, and the e-newsletter was viewed, either in email or as posted on the web, 452-835 times.

According to Google Analytics, activity on the sbcf.org website has had minor spikes over the past two months, with the most traffic occurring in the last few days before the Community Grants Fund application deadline. Between September 5 and October 25, 502 users engaged in 903 sessions on the Foundation website, for a total of 2,004 page views. The most visited pages were the home page and pages related to the Community Grants Fund.

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## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Consent Calendar for the November 6, 2019, Regular Board Meeting

For the November 6, 2019, Regular Meeting of the Board of Directors of the San Bruno Community Foundation, the Consent Calendar includes two items related to administrative and operational functions of the Foundation:

**1. Receive and Approve Treasurer's Report (August and September 2019 Financial Statements)**

The August and September 2019 financial statements consist of a Budget Report and Balance Sheet. The attached Budget Narrative provides a thorough explanation of the financial statements. The Budget Report includes the budget figures approved at the June 5, 2019, Board meeting. I recommend that the Board receive and approve the Treasurer's Report as part of the Consent Calendar.

**2. Adopt Resolution Ratifying Creation of Ad Hoc Committee on Gift Acceptance Policy**

At its September 4, 2019, meeting, as part of the Board's discussion about possible adjustments to the Crestmoor Neighborhood Memorial Scholarship, including potentially soliciting gifts from community partners to fund an expansion of the program, the Board approved a motion to create an ad hoc committee charged with developing a gift acceptance policy and appoint Board Members Pat Bohm, Nancy Kraus, and Jim Ruane to the committee. The committee met on September 24, 2019, and elected Board Member Kraus as chair. This resolution would ratify the Board's creation of the Ad Hoc Committee on Gift Acceptance Policy, the appointment of Board Members Bohm, Kraus, and Ruane to the Committee, and the election of Board Member Kraus as Committee chair. I recommend that the Board adopt the Resolution Ratifying Creation of Ad Hoc Committee on Gift Acceptance Policy as part of the Consent Calendar.

Attachments:

1. August 2019 Financial Statements
2. September 2019 Financial Statements
3. Resolution Ratifying Creation of Ad Hoc Committee on Gift Acceptance Policy

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## Community Foundation

August 2019

### Budget Narrative

This report primarily describes amounts in column a (Actual Year to Date) of the monthly Budget Report. When projections vary from Budget (column b), the changes will be reflected in columns d (Final Expected Amount) and e (Change in Budget), and also be explained. First two months equal 16.7% of the fiscal year.

### INCOME

**Line 1 Transfers from Quasi Endowment** – Transfers planned for later in the year, coinciding with Community Grants and Scholarships payments.

**Line 2 Transfers from Strategic Pool** – July transfer of \$700,000, is 14.6% of budget.

**Line 4 Interest Income** – \$3,108 is 16.1% of budget. Liquidity Pool – Operating balance is currently \$429,904.

### EXPENSES

**Line 10 Subtotal Direct Program Expenses** – There have been no Grants or Scholarships awarded this year.

**Line 11 Salaries & Wages** – Expense is exactly on budget at 16.7%.

**Line 12 Payroll Taxes & Benefits** – Expense (\$4,383) is 19.5% of budget. Social Security/Medicare (\$2,450) is the largest cost and will be lower at the end of the calendar year. Other costs include retirement (\$1,601) and life insurance (\$214).

**Line 14 Occupancy** – Only cost is office lease (\$2,508). Amount is 16% of budget.

**Line 15 Insurance** – Total (\$3,013) is exactly on budget and includes Directors & Officers (\$2,396) and crime (\$425) policies.

**Line 16 Telecommunications** – Cost (\$302) is 15.7% of budget.

**Line 17 Postage & Shipping** – Cost (\$1,385) is 69.3% of budget. Annual Report mailing to San Bruno residents (\$1,307) represents 94% of the total.

**Line 18 Marketing & Communications** - \$543 expense is 3.7% of budget. Annual Report graphic design (\$485) represents 89% of the total.

**Line 19 Office Supplies & Equipment** – Total (\$179) is 3.4% of budget.

**Line 20 Legal Fees** – \$150 expense is 0.4% of budget.

**Line 21 Accounting & Payroll Fees** – Total (\$4,367) is 12.8% of budget. Accounting Consultant has been \$4,266 or 98% of the total.

**Line 22 Other Consultants** - Cost (\$3,838) is 7.5% of budget and is for Program Support (\$3,448) and Technology (\$390) consultants.

**Line 23 Travel, Meetings & Conferences** – \$445 expense is 10.3% of budget and the total is for Board meetings.

**Line 24 Miscellaneous** – Cost (\$561) equals 24.4% of budget with an organizational membership (\$400) representing most of the cost.

### **SUMMARY**

Excluding the budget for Scholarships & Grants, total expenses are at 13.3% of budget, which is well below 16.7% benchmark for the first two months of the year. In terms of dollars, the \$53,700 in year-to-date expense is \$13,407 less than the two-month budget allocation. Two line items are significantly over budget. Postage & Shipping (69.3% of budget) and Miscellaneous (24.4%) are both over budget due to timing of expenses. Neither are expected to remain over budget by year-end.

The Fidelity Liquidity Pool – RAC, was created with a \$10 million July 2018 transfer. The balance as of August 31, 2019 is \$10,298,812, including market value gain of \$23,155 in August.

Total August Investment net income or increase in value is \$294,692. This came from the Strategic Pool (\$427,787), and Liquidity Pool – RAC (\$23,155), less a Quasi Endowment decrease (\$156,250). Year-to-date investment gains are \$549,007 and come from Strategic Pool (\$574,795) and Liquidity Pool – RAC (\$47,749) gains less Quasi Endowment loss of \$73,537.

Overall organization year to date net income or increase in net assets is \$498,415.

Total Net Assets, as of August 31, 2019 are \$69,546,091 with \$17,907,154 in Quasi Endowment; \$51,234,192 in general Unrestricted funds; and \$404,745 in Temporarily Restricted Net Assets.

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### August 2019 2019-2020 Budget Report

	(a)	(b)	(c)	(d)	(e)
	Actual Year to Date	Budget	Actual as % of Budget (a/b)	Final Expected Amount	Change in Budget (d - b)
<b>INCOME &amp; TRANSFERS</b>					
1 Transfers from Quasi Endowment	\$ -	\$ 317,510	0.0%	\$ 317,510	\$ -
2 Transfers from Strategic Pool	700,000	4,781,214	14.6%	4,781,214	-
3 Restricted Donations	-	-	-	-	-
4 Interest Income	3,108	19,329	16.1%	19,329	-
5 <b>Total Available for Operations</b>	703,108	5,118,053	13.7%	5,118,053	-
<b>EXPENSES</b>					
6 Crestmoor Scholarships	-	120,000	0.0%	120,000	-
7 Community Grants	-	200,000	0.0%	200,000	-
8 Strategic Grants	-	808,545	0.0%	808,545	-
9 Other Grants	-	10,000	0.0%	10,000	-
10 <b>Subtotal Direct Program Expenses</b>	-	1,138,545	0.0%	1,138,545	-
11 Salaries & Wages	32,026	192,156	16.7%	192,156	-
12 Payroll Taxes & Benefits	4,383	22,485	19.5%	22,485	-
13 <b>Subtotal Personnel Expenses</b>	36,409	214,641	17.0%	214,641	-
14 Occupancy	2,508	15,690	16.0%	15,690	-
15 Insurance	3,013	18,085	16.7%	18,085	-
16 Telecommunications	302	1,920	15.7%	1,920	-
17 Postage & Shipping	1,385	2,000	69.3%	2,000	-
18 Marketing & Communications	543	14,638	3.7%	14,638	-
19 Office Supplies & Equipment	179	5,325	3.4%	5,325	-
20 Legal Fees	150	38,471	0.4%	38,471	-
21 Accounting & Payroll Fees	4,367	34,160	12.8%	34,160	-
22 Other Consultants	3,838	51,080	7.5%	51,080	-
23 Travel, Meetings & Conferences	445	4,330	10.3%	4,330	-
24 Miscellaneous	561	2,300	24.4%	2,300	-
25 <b>Subtotal Non-Personnel</b>	17,291	187,999	9.2%	187,999	-
26 <b>Total Expenses</b>	53,700	1,541,185	3.5%	1,541,185	-
27 <b>Net Surplus/(Loss)</b>	\$ 649,408	\$ 3,576,868		\$ 3,576,868	\$ -

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## Community Foundation

### Statement of Financial Position as of August 31, 2019

#### ASSETS

Cash, Wells Fargo General	\$ 110,652.73	
Cash, Wells Fargo Payroll	6,506.43	
Cash, Wells Fargo Savings	104,076.35	
Cash, Fidelity Liquidity Pool - Operating	429,904.32	
<b>Total Cash</b>		651,139.83
Investments, Fidelity Liquidity Pool - RAC	10,298,811.85	
Investments, Fidelity Strategic Pool	46,659,968.66	
Investments, Fidelity Quasi-Endowment	17,907,153.79	
Accrued Interest Receivable	1,312.33	
<b>Total Investments</b>		74,867,246.63
Prepaid Rent	1,254.22	
Prepaid Insurance	11,029.50	
<b>Total Other Current Assets</b>		12,283.72
Deposits	1,253.45	
<b>Total Other Assets</b>		1,253.45
<b>TOTAL ASSETS</b>		<u>\$ 75,531,923.63</u>

#### LIABILITIES & NET ASSETS

##### **LIABILITIES**

Accounts Payable	10,120.77	
Accrued Grants Payable	5,815,931.25	
Accrued Scholarships Payable	145,000.00	
Accrued Employee PTO	14,780.80	
<b>Total Liabilities</b>		5,985,832.82

##### **NET ASSETS**

Unrestricted, Non-QE 7/1/2019 Balance	50,662,240.34	
Year to Date Net Income from Operations	(50,592.34)	
Year to Date Strategic Investment Income	622,543.48	
<b>Total Non-QE Unrestricted Net Assets</b>	51,234,191.48	
Quasi-Endowment 7/1/2019 Balance	17,980,690.19	
Year-to-date QE Investment Income	(73,536.40)	
<b>Total QE Unrestricted Net Assets</b>	17,907,153.79	
<b>Total Unrestricted Net Assets</b>		69,141,345.27
Temporarily Restricted Net Assets	404,745.54	
<b>Total Temporarily Restricted Net Assets</b>		404,745.54
<b>Total Net Assets</b>		<u>69,546,090.81</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>		<u>\$ 75,531,923.63</u>

# SAN BRUNO

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## Community Foundation

September 2019

### Budget Narrative

This report primarily describes amounts in column a (Actual Year to Date) of the monthly Budget Report. When projections vary from Budget (column b), the changes will be reflected in columns d (Final Expected Amount) and e (Change in Budget), and also be explained. First three months equal 25% of the fiscal year.

### INCOME

**Line 1 Transfers from Quasi Endowment** – Transfers planned for later in the year, coinciding with Community Grants and Scholarships payments.

**Line 2 Transfers from Strategic Pool** – July transfer of \$700,000, is 14.6% of budget.

**Line 4 Interest Income** – \$4,049 is 20.9% of budget. Liquidity Pool – Operating balance is currently \$430,843.

**Line 5 Miscellaneous Income** – \$5,000 unbudgeted amount is scholarship payable write off resulting from the early graduation of a recipient.

### EXPENSES

**Line 11 Subtotal Direct Program Expenses** – There have been no Grants or Scholarships awarded this year.

**Line 12 Salaries & Wages** – Expense is exactly on budget at 25%.

**Line 13 Payroll Taxes & Benefits** – Expense (\$5,801) is 25.8% of budget. Social Security/Medicare (\$3,008) is the largest cost and will be lower at the end of the calendar year. Other costs include retirement (\$2,402) and life insurance (\$214).

**Line 15 Occupancy** – Only cost is office lease (\$3,763). Amount is 24% of budget.

**Line 16 Insurance** – Total (\$4,520) is exactly on budget and includes Directors & Officers (\$3,594), crime (\$638), and commercial package (\$288) policies.

**Line 17 Telecommunications** – Cost (\$453) is 23.6% of budget.

**Line 18 Postage & Shipping** – Cost (\$1,463) is 73.2% of budget. Annual Report mailing to San Bruno residents (\$1,370) represents 94% of the total.

**Line 19 Marketing & Communications** - \$7,311 expense is 49.9% of budget. Design and production of the Annual Report (\$7,147) represents 98% of the total.

**Line 20 Office Supplies & Equipment** – Total (\$2,198) is 41.3% of budget. A new laptop (\$2,019) is 92% of the total.



**Line 21 Legal Fees** – \$5,398 expense is 14% of budget. First quarter cost of City attorney (\$4,618) and legal fees for administrative issues (\$645) are included.

**Line 22 Accounting & Payroll Fees** – Total (\$5,656) is 16.6% of budget. Accounting Consultant (\$5,454) and payroll fees (\$202) make up the total.

**Line 23 Other Consultants** - Cost (\$8,545) is 16.7% of budget and is for Program (\$7,665) and Administrative (\$490) support and Technology (\$390) consultants.

**Line 24 Travel, Meetings & Conferences** – \$445 expense is 10.3% of budget and the total is for Board meetings.

**Line 25 Miscellaneous** – Cost (\$596) equals 25.9% of budget with an organizational membership (\$400) as the largest cost.

### **SUMMARY**

Excluding the budget for Scholarships & Grants, total expenses are at 23.4% of budget, which is below 25% benchmark for the first quarter of the year. In terms of dollars, the \$94,188 in year-to-date expense is \$6,472 less than the first quarter budget allocation. Three line items are significantly over budget. Postage & Shipping (73.2% of budget) and Marketing & Communications (49.9%) are both over budget due to timing of Annual Report related expenses. Office Supplies & Equipment (41.3%) is over budget because of laptop purchase. (None of these are expected to remain over budget by year-end.)

The Fidelity Liquidity Pool – RAC, was created with a \$10 million July 2018 transfer. The balance as of September 30, 2019 is \$10,320,086, including market value gain of \$21,274 in September.

Total September investment net income or increase in value is \$233,101. This came from the Strategic Pool (\$54,811), Quasi Endowment (\$157,016), and Liquidity Pool – RAC (\$21,274). Year-to-date investment gains are \$782,108 and come from Strategic Pool (\$629,605), Quasi Endowment (\$83,479), and Liquidity Pool – RAC (\$69,023).

Overall organization year to date net income or increase in net assets is \$696,969.

Total Net Assets, as of September 30, 2019 are \$69,744,645 with \$18,064,169 in Quasi Endowment; \$51,275,730 in general Unrestricted funds; and \$404,746 in Temporarily Restricted Net Assets.

# SAN BRUNO

## Community Foundation

### September 2019 2019-2020 Budget Report

	(a)	(b)	(c)	(d)	(e)
	Actual Year to Date	Budget	Actual as % of Budget (a/b)	Final Expected Amount	Change in Budget (d - b)
<b>INCOME &amp; TRANSFERS</b>					
1 Transfers from Quasi Endowment	\$ -	\$ 317,510	0.0%	\$ 317,510	\$ -
2 Transfers from Strategic Pool	700,000	4,781,214	14.6%	4,781,214	-
3 Restricted Donations	-	-	-	-	-
4 Interest Income	4,049	19,329	20.9%	19,329	-
5 Miscellaneous Income	5,000	-	-	5,000	5,000
<b>6 Total Available for Operations</b>	<b>709,049</b>	<b>5,118,053</b>	<b>13.9%</b>	<b>5,123,053</b>	<b>5,000</b>
<b>EXPENSES</b>					
7 Crestmoor Scholarships	-	120,000	0.0%	120,000	-
8 Community Grants	-	200,000	0.0%	200,000	-
9 Strategic Grants	-	808,545	0.0%	808,545	-
10 Other Grants	-	10,000	0.0%	10,000	-
<b>11 Subtotal Direct Program Expenses</b>	<b>-</b>	<b>1,138,545</b>	<b>0.0%</b>	<b>1,138,545</b>	<b>-</b>
12 Salaries & Wages	48,039	192,156	25.0%	192,156	-
13 Payroll Taxes & Benefits	5,801	22,485	25.8%	22,485	-
<b>14 Subtotal Personnel Expenses</b>	<b>53,840</b>	<b>214,641</b>	<b>25.1%</b>	<b>214,641</b>	<b>-</b>
15 Occupancy	3,763	15,690	24.0%	15,690	-
16 Insurance	4,520	18,085	25.0%	18,085	-
17 Telecommunications	453	1,920	23.6%	1,920	-
18 Postage & Shipping	1,463	2,000	73.2%	2,000	-
19 Marketing & Communications	7,311	14,638	49.9%	14,638	-
20 Office Supplies & Equipment	2,198	5,325	41.3%	5,325	-
21 Legal Fees	5,398	38,471	14.0%	38,471	-
22 Accounting & Payroll Fees	5,656	34,160	16.6%	34,160	-
23 Other Consultants	8,545	51,080	16.7%	51,080	-
24 Travel, Meetings & Conferences	445	4,330	10.3%	4,330	-
25 Miscellaneous	596	2,300	25.9%	2,300	-
<b>26 Subtotal Non-Personnel</b>	<b>40,348</b>	<b>187,999</b>	<b>21.5%</b>	<b>187,999</b>	<b>-</b>
<b>27 Total Expenses</b>	<b>94,188</b>	<b>1,541,185</b>	<b>6.1%</b>	<b>1,541,185</b>	<b>-</b>
<b>27 Net Surplus/(Loss)</b>	<b>\$ 614,861</b>	<b>\$ 3,576,868</b>		<b>\$ 3,581,868</b>	<b>\$ 5,000</b>

# SAN BRUNO

## Community Foundation

### Statement of Financial Position as of September 30, 2019

#### ASSETS

Cash, Wells Fargo General	\$	50,194.15	
Cash, Wells Fargo Payroll		38,141.57	
Cash, Wells Fargo Savings		54,077.81	
Cash, Fidelity Liquidity Pool - Operating		430,843.20	
<b>Total Cash</b>			573,256.73
Investments, Fidelity Liquidity Pool - RAC		10,320,085.74	
Investments, Fidelity Strategic Pool		46,714,527.99	
Investments, Fidelity Quasi-Endowment		18,064,169.44	
Accrued Interest Receivable		1,564.11	
<b>Total Investments</b>			75,100,347.28
Prepaid Rent		1,254.22	
Prepaid Insurance		9,641.25	
<b>Total Other Current Assets</b>			10,895.47
Deposits		1,253.45	
<b>Total Other Assets</b>			1,253.45
<b>TOTAL ASSETS</b>			<u><u>\$ 75,685,752.93</u></u>

#### LIABILITIES & NET ASSETS

##### LIABILITIES

Accounts Payable		17,895.86	
Accrued Grants Payable		5,768,431.25	
Accrued Scholarships Payable		140,000.00	
Accrued Employee PTO		14,780.80	
<b>Total Liabilities</b>			5,941,107.91

##### NET ASSETS

Unrestricted, Non-QE 7/1/2019 Balance		50,662,240.34	
Year to Date Net Income from Operations		(85,138.78)	
Year to Date Strategic Investment Income		698,628.48	
<b>Total Non-QE Unrestricted Net Assets</b>		51,275,730.04	
Quasi-Endowment 7/1/2019 Balance		17,980,690.19	
Year-to-date QE Investment Income		83,479.25	
<b>Total QE Unrestricted Net Assets</b>		18,064,169.44	
<b>Total Unrestricted Net Assets</b>			69,339,899.48
Temporarily Restricted Net Assets		404,745.54	
<b>Total Temporarily Restricted Net Assets</b>			404,745.54
<b>Total Net Assets</b>			<u>69,744,645.02</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>			<u><u>\$ 75,685,752.93</u></u>

**RESOLUTION NO. 2019-\_\_**

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION  
RATIFYING CREATION OF AD HOC COMMITTEE ON GIFT ACCEPTANCE POLICY**

**WHEREAS**, on September 4, 2019, the Board of Directors of the San Bruno Community Foundation discussed the possibility of considering external funding partners for the Crestmoor Neighborhood Memorial Scholarship;

**WHEREAS**, as part of that discussion, the Board approved a motion to create an ad hoc committee, consisting of Board Members Pat Bohm, Nancy Kraus, and Jim Ruane, charged with developing a gift acceptance policy that would govern gifts, donations, and grants offered to the Foundation;

**WHEREAS**, many nonprofit organizations adopt gift acceptance policies, as a best practice, in order to maintain discipline in gift acceptance and administration by defining the types of assets an organization will accept and a process for evaluating gifts that might be inconsistent with an organization's mission or otherwise not in the organization's best interests; and

**WHEREAS**, the Ad Hoc Committee on Gift Acceptance Policy met on September 24, 2019, and elected Board Member Kraus as Committee chair;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors ratifies the creation of the Ad Hoc Committee on Gift Acceptance Policy, charging the Committee with the responsibility of developing a gift acceptance policy that would govern gifts, donations, and grants offered to the Foundation;

**RESOLVED FURTHER** that the Board of Directors ratifies the appointment of Board Members Pat Bohm, Nancy Kraus, and Jim Ruane to such Committee and the election of Board Member Kraus as Committee chair.

Dated: November 6, 2019

ATTEST:

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John McGlothlin, Secretary

I, John McGlothlin, Secretary, do hereby certify that the foregoing Resolution No. 2019-\_\_ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6<sup>th</sup> day of November, 2019, by the following vote:

AYES:            Board members:

NOES:           Board members:

ABSENT:        Board members:

# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Report from Novogradac & Company LLP Regarding the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2019, Resolution Approving the Audited Financial Statements for the Year Ended June 30, 2019, and Report from Audit Committee

On October 18, 2019, the Audit Committee met to discuss the fiscal year 2018-2019 audited financial statements and upcoming plans to issue a request for proposals for audit and tax preparation services in 2020. At the November 6, 2019 Board meeting, Committee Chair John McGlothlin will provide a report on behalf of the Committee as well as introduce the audit team who will present the audited financial statements. Board Member Pat Bohm also serves on the Audit Committee.

#### **1. Audit Presentation**

Article XIII, Section 4, of the San Bruno Community Foundation's Bylaws states that the Foundation "shall retain an independent auditor and conduct annual independent audits in accordance with the applicable provisions of the Supervision of Trustees and Fundraisers for Charitable Purposes Act (commencing with Section 12586 of the California Government Code)." As authorized by the Board on March 6, 2019, the Foundation is using Novogradac & Company LLP to conduct the audit of the Foundation's financial statements for the year ended June 30, 2019, and to prepare the Foundation's annual federal and state tax returns. Engagement partner Lance Smith is again heading up the Novogradac team assigned to the Foundation.

In July, Accounting Consultant Frank Bittner and I began preparing the financial reports and documentation Novogradac requested to begin work on the audit. We submitted all of the requested materials by August 22, nearly two weeks prior to the September 3 deadline. The Novogradac team examined the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls. Mr. Bittner and I responded to several follow-up requests for additional information from the Novogradac team.

On October 18, 2019, the Audit Committee, which consists of Chair John McGlothlin and Committee Member Pat Bohm, met to discuss with the Novogradac team the draft audited financial statements that the Novogradac team had prepared. Following the meeting, the

# SAN BRUNO

## Community Foundation

### Memorandum

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Novogradac team produced the attached final audit report, which covers the Foundation's finances from July 1, 2018, through June 30, 2019. Novogradac's report states its unqualified opinion that "the financial statements...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 ended in accordance with accounting principles generally accepted in the United States of America." Novogradac has also issued a standard AU-C 260 letter, as it has in past years.

At the November 6, 2019, Board meeting, Mr. Smith will present the audited financial statements to the Board, review his team's findings with regard to the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls, and field questions from the Board. Attached to this memo are the audited financial statements and AU-C 260 letter from Novogradac.

At the conclusion of Mr. Smith's report, I recommend that the Board adopt the attached resolution accepting and approving the Foundation's audited financial statements for the year ended June 30, 2019.

On a related note, the Novogradac team expects to have prepared a final draft of the Foundation's annual federal and state tax returns (IRS Form 990 and California Form 199) by the first full week of November. I will circulate the tax returns to the full Board for review, with the goal of submitting the returns by their November 15, 2019, deadline. If I am able to circulate the tax returns prior to November 6, Mr. Smith and I will be able to answer any questions Board members may have about the tax returns at the Board meeting.

## **2. RFP for Audit and Tax Preparation Services**

The Foundation's Fiscal Policies and Procedures require the Foundation to issue a Request for Proposal (RFP) for audit and tax preparation services at least every five years. Under the Bylaws, the duties of the Audit Committee include "[a]ssisting the Board in choosing an independent auditor and recommending termination of the auditor, if necessary."

The Foundation last issued an RFP for audit and tax preparation services in 2015, when the Board selected Novogradac and Company as its auditor. Novogradac has now prepared the Foundation's audited financial statements and tax returns for five consecutive years. As a result, the Foundation must issue a new RFP for the fiscal year 2019-2020 audit and tax preparation. While the Fiscal Policies and Procedures require issuing an RFP at least every five years, they do not require that the Board make a change in CPA firms – that is, the Board could select Novogradac to prepare the FY2019-2020 audited financial statements and tax returns.

Nonprofits generally require annually the following from an auditor:

# SAN BRUNO

## Community Foundation

### Memorandum

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- Conduct an audit of the organization's records, internal controls, and financial statements in accordance with auditing standards generally accepted in the United States,
- Communicate with the Audit Committee as appropriate, before, during, and after audit fieldwork,
- Complete audited financial statements report with appropriate accompanying notes,
- Complete report or communication related to audit findings with Board of Directors (*e.g.*, AU-C 260 letter),
- Present in person the audit report and the report/communication related to audit findings to the organization's Board of Directors, and
- Complete federal and state tax forms (IRS-990, CA-199, and RRF-1) by the applicable deadlines.

At its last meeting, the Audit Committee discussed the RFP process. The Committee agreed with me that the Foundation, as it did in 2015, should follow this typical process for hiring an auditor:

- Draft a Request for Proposals (RFP) for Audit and Tax Preparation Services
- Send the RFP to CPA firms that provide nonprofit audit and related services, including firms recommended by other nonprofit organizations
- Receive, by a set deadline, responses to the RFP
- Review the responses and select a small number of finalists for consideration
- Interview finalists, request additional information as needed, and check references
- Make a recommendation to the Board for selection of a CPA firm for audit and related services

Consistent with this process, the Committee and I are proposing the following timeline for the selection of the Foundation's next independent auditor. The Audit Committee with its current composition would begin the process, and a re-constituted Audit Committee appointed after the new Board members join the Board in January would complete the review and recommendation process.

- October 18: Audit Committee reviews and provides feedback on draft RFP for Audit Services and list of CPA firms to receive RFP
- October 21-31: Executive Director prepares final drafts of RFP and list of CPA firms
- November 6: Audit Committee shares the RFP and reports on the timeline to the Board
- Mid-November: Executive Director begins sending RFP to list of CPA firms
- January 15: Deadline for receiving responses to RFP
- January: New Audit Committee appointments made



# SAN BRUNO

## Community Foundation

### Memorandum

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- February-March: Audit Committee reviews RFP responses, selects list of finalists, conducts interviews, and checks references
- March: Audit Committee makes recommendation to the Board for approval (if the Audit Committee needs more time for its review, it can present its recommendation at the June Board meeting)

The audit and preparation of tax returns would then take place from late August through early November. The federal and state tax forms are due on November 15 (the Foundation may request a three-month extension if additional time is needed).

As the first step in the process, I have prepared the attached draft of an RFP for audit services, which the Audit Committee has reviewed. The draft RFP provides background information on the Foundation, a list of expected annual audit and tax services deliverables, the list of information sought from responding CPA firms, and the deadline for responses. On November 6, the Committee would like to receive feedback from the Board on its plan to implement the RFP process and the draft RFP.

#### Attachments:

1. Resolution Approving the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2019
2. 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
3. AU-C 260 letter from Novogradac
4. Draft Request for Proposals for Nonprofit Audit and Tax Preparation Services

**RESOLUTION NO. 2019-\_\_**

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION  
APPROVING THE FOUNDATION'S AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**WHEREAS**, Article XIII, Section 4, of the Bylaws calls for the retention of an independent auditor to conduct an annual audit of the San Bruno Community Foundation's financial statements and records;

**WHEREAS**, on March 6, 2019, the Board of Directors authorized President Frank Hedley to execute a contract with Novogradac & Company LLP to conduct the audit of the Foundation's financial statements for the year ended June 30, 2019, and to prepare the Foundation's annual federal and state tax returns;

**WHEREAS**, on March 6, 2019, President Frank Hedley executed a contract with Novogradac & Company LLP to conduct an audit of the Foundation's financial statements for the year ended June 30, 2019, and to prepare the Foundation's federal and state tax returns;

**WHEREAS**, Novogradac & Company LLP examined the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls;

**WHEREAS**, Novogradac has produced audited financial statements for the Foundation for the year ended June 30, 2019, and issued an unqualified opinion that the Foundation's financial statements present fairly, in all material respects, the Foundation's financial position as of June 30, 2019, in accordance with accounting principles generally accepted in the United States; and

**WHEREAS**, Lance Smith, the Novogradac engagement partner assigned to the Foundation's account, will present the audited financial statements to the Board at the Foundation's November 6, 2019, regular Board meeting.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors accepts and approves the audited financial statements for the year ended June 30, 2019, as prepared by Novogradac & Company LLP.

Dated: November 6, 2019

ATTEST:

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John McGlothlin, Secretary

I, John McGlothlin, Secretary, do hereby certify that the foregoing Resolution No. 2019-\_\_ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6<sup>th</sup> day of November, 2019, by the following vote:

AYES:            Board members:

NOES:           Board members:

ABSENT:        Board members:



# **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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NOVOGRADAC  
& COMPANY LLP®

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**

	<b>2019</b>	<b>2018</b>
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	1,253	1,253
	<hr/>	<hr/>
Total assets	\$ 75,582,041	\$ 73,809,083
	<hr/>	<hr/>

**LIABILITIES**

Accounts payable	\$ 30,318	\$ 30,340
Accrued scholarships	182,500	140,000
Accrued grants payable	6,321,547	775,622
Total liabilities	<hr/> 6,534,365	<hr/> 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	404,746	400,754
Total net assets	<hr/> 69,047,676	<hr/> 72,863,121
	<hr/>	<hr/>
Total liabilities and net assets	\$ 75,582,041	\$ 73,809,083
	<hr/>	<hr/>

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

	Program Services	Management and General	Total	2018 Total
<b>PERSONNEL EXPENSES</b>				
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	143,154	77,082	220,236	214,568
<b>OTHER EXPENSES</b>				
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	7,304,745	71,834	7,376,579	1,602,080
<b>TOTAL EXPENSES</b>	<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

	<u>2019</u>	<u>2018</u>
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	<u>172,917</u>	<u>730,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Withdrawal from deposits	-	82
Purchases of securities	(437,508)	(461,071)
Net cash used in investing activities	<u>(437,508)</u>	<u>(460,989)</u>
Net (decrease) increase in cash and cash equivalents	(264,591)	269,860
Cash and cash equivalents at beginning of year	<u>530,317</u>	<u>260,457</u>
Cash and cash equivalents at end of year	<u><u>\$ 265,726</u></u>	<u><u>\$ 530,317</u></u>

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	59,394	16,499
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				
	Level 1	Level 2	Level 3	Fair Value Measurements
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				
	Level 1	Level 2	Level 3	Fair Value Measurements
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:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 265,726	\$ 530,317
Contributions receivable	-	5,000
Investments	75,295,912	73,224,409
Total financial assets	<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:

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

  

		2018
	Cost	Market Value
Liquidity pool	\$ 338,304	\$ 339,226
Strategic pool	55,130,952	55,373,208
Quasi-endowment pool	15,929,143	17,511,975
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:

	2019	2018
Community Grants Fund	\$ 100,000	\$ 100,000
First Responder Effectiveness Strategic Initiative	303,546	300,754
Recreation & Aquatic Memorial Bench	1,200	-
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:

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



NOVOGRADAC  
& COMPANY LLP®

CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2019

To the Audit Committee and Board of Directors of  
The San Bruno Community Foundation:

We have audited the financial statements of The San Bruno Community Foundation (the "Foundation") as of and for the year ended June 30, 2019, and have issued our report thereon dated October 24, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated February 25, 2019. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. As described in Note 2, the Foundation changed accounting policies related to Topic 958 by adopting FASB Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

1. Management's estimates affecting the financial statements based on subjective and objective factors including the allocation of assets, liabilities, revenues and expenses among funds, and the fair market value of investments.
2. Management's estimate of the fair market value of investments is based on an evaluation of third party information obtained.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

1. The disclosure of investments in the notes to the financial statements. This note contains a description of the composition of the investment balance as of June 30, 2019 and 2018.
2. The disclosure of net assets in the notes to the financial statements. This note contains a description of the composition of net assets with donor restriction and net assets without donor restriction.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 24, 2019.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Audit Committee and Board of Directors  
The San Bruno Community Foundation  
October 24, 2019  
Page 3 of 3

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Novogradac & Company LLP". The signature is written in a cursive, flowing style.

NOVOGRADAC & COMPANY LLP

# **SAN BRUNO**

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## **Community Foundation**

### **REQUEST FOR PROPOSAL FOR NONPROFIT AUDIT AND TAX PREPARATION SERVICES**

November \_\_, 2019

The San Bruno Community Foundation (“Foundation”) requests a proposal for the annual audit of its financial statements and preparation of state and federal information tax returns (IRS-990, CA-199, and RRF-1).

The Foundation is a nonprofit entity incorporated in California, with federal income tax exemption issued under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Foundation is classified as a public charity and, under Section 509(a)(3), as a Type I supporting organization.

The San Bruno City Council created the Foundation to administer the \$70 million in restitution funds resulting from the devastating 2010 gas pipeline explosion in San Bruno’s Crestmoor neighborhood. As stated in the Foundation’s Bylaws, the primary purpose of the Foundation is “to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term.”

The Foundation runs three main programs: the Crestmoor Neighborhood Memorial Scholarship (multi-year college scholarships to San Bruno students who have been actively engaged in the San Bruno community, the Community Grants Fund (community organizations are able to apply for grants of up to \$25,000 for programs benefiting San Bruno), and a portfolio of strategic grants. Of note, the Foundation has committed to providing a series of strategic grants to total up to \$50 million to the City of San Bruno to fund the design and construction of a new Recreation and Aquatics Center in San Bruno City Park.

A seven-member Board of Directors appointed by the City Council governs the Foundation. The Board has a two-member Audit Committee that is overseeing the auditor selection process. The Foundation’s fiscal year runs from July 1 to June 30.

The Foundation was founded in 2013 and began independent operations in early 2015. In 2016, the Foundation developed its Investment Policy Statement; established three investment accounts, each with its own strategy, for holding the funds; hired an investment management firm (Sand Hill Global Advisors, LLC); and took possession of the restitution funds. The three investment accounts are as follows:



In FY2018-2019, the Foundation reported revenues of \$3,781,370 (primarily investment income), expenses of \$7,596,815, and total year-end assets of \$75,582,041. The Foundation's activities are primarily funded by investment income (from the Quasi-Endowment for the Crestmoor Scholarship and the Community Grants Fund, and from the Strategic Pool for other grants and operating expenses). During each of the last two fiscal years, approximately five restricted donations have been received. The largest (\$100,000) supports Community Grants and the others (totaling about \$20,000) are from Community Day sponsors. For 2019-2020, total budgeted expenses are \$1,541,185. Most revenue is investment income, which is not projected or budgeted.

Currently, the Foundation employs one full-time staff person and two part-time contractors (accounting consultant/full charge bookkeeper and program consultant). For the first three months of FY2019-20, accounts payable payments have averaged eleven per month. In addition to savings, payroll, and general checking bank accounts, the Foundation has a credit card account in the name of the Foundation and the Executive Director.

In accordance with the Foundation's Bylaws and Fiscal Policies and Procedures, the Foundation has its financial statements audited on an annual basis by an independent CPA. A Request for Proposal (RFP) for nonprofit audit and tax preparation services is issued at least every five years.

#### **EXPECTED ANNUAL AUDIT & TAX SERVICES DELIVERABLES**

The selected auditor or CPA firm will be expected to do the following annually:

1. Conduct an audit of the Foundation's records, internal controls, and financial statements in accordance with auditing standards generally accepted in the United States of America.
2. Communicate with the Audit Committee as appropriate, before, during, and after audit fieldwork.
3. Complete audited financial statements report with appropriate accompanying notes.
4. Complete report or communication related to audit findings with Board of Directors (*e.g.*, AU-C 260 letter)
5. Present in person both reports mentioned in numbers 3 and 4 above to the Foundation Board of Directors at its November meeting (typically the first Wednesday in November).
6. Complete IRS-990, CA-199, and RRF-1 by November 1, thereby allowing for timely filing of these forms on or before November 15 (or such extension as mutually agreed).

### **INFORMATION AND/OR RESPONSES TO BE PROVIDED**

In order to assist the Board of Directors in its search for an auditor to provide the services described above, please provide, by January 15, 2020, a proposal that includes responses to the following:

1. Please describe your firm's background, history, and areas or industries of specialization. In particular, please highlight your experience with 501(c)(3) nonprofit organizations, particularly those with assets of at least \$50 million. Please include the names of any principals of the firm and their backgrounds. Also, please provide a copy of your firm's annual report (if any) and/or other literature about your firm.
2. Please provide the location of your office(s) and the names and titles of personnel that are expected to be involved in the Foundation's annual audit and tax services.
3. Please provide a proposed timeline for fieldwork and final reporting for all services requested, assuming an on-time November 15 tax filing for fiscal year 2019-2020.
4. Does your firm have a written Code of Conduct, Ethics Policy, or Conflict of Interest Policy? If so, please provide a copy of each.
5. Please describe the level of coverage for errors and omissions and professional liability insurance your firm carries. List the insurance carrier(s) supplying the coverage.
6. Has your firm, or anyone in your firm, provided any gifts, travel and room expenses, entertainment, or meals to any Foundation Board member or employee during the past 12 months? If yes, please describe in detail.
7. What do you feel makes your firm superior to other firms that the Foundation may be considering?



8. Provide a list of other nonprofit 501(c)(3) clients for whom your firm provides annual audit services. Also, please provide a sample of your audit reports for such organizations.
9. Please provide a reference to three of your nonprofit 501(c)(3) clients that have hired your firm for annual audit and tax preparation services during the past five years.
10. What will be your projected fee for completing all services described above in the “Expected Annual Audit & Tax Services Deliverables” section of this RFP for fiscal year 2019-2020? Indicate how these fees may change for fiscal years 2020-2021 and beyond. Do you provide any financial incentives for clients who are particularly well prepared and organized in preparing for the audit?
11. Does the fee described above differ from fees charged to other clients? If yes, please explain.
12. Describe any other potential fees the Foundation may be charged, based upon common situations with other clients.
13. Include a copy of your firm’s pre-audit requests for information that your clients are required to provide, including any worksheets and questionnaires. How far in advance of the site visit must the information be submitted to your firm?
14. Describe your process for informing clients of the timeline for completion of the audit and tax filings.
15. Include a copy of your firm’s most recent peer review report, the related letter of comments, and the firm’s response to the letter of comments.
16. Provide any additional information that you believe to be relevant to the Request for Proposal and your capability to provide the services requested.

Basis for award of contract will include but not be limited to responsiveness to the RFP, interview performance, quality and timeliness of service, and price.

Only licensed Certified Public Accountants or firms may respond to this RFP. The Foundation reserves the right to reject all proposals or request additional information from one or more proposers. All costs incurred in the preparation of a proposal responding to this RFP will be the responsibility of the proposer and will not be reimbursed by the Foundation.

The successful proposer agrees to execute a professional services agreement for the work in a form substantially similar to the agreement provided in Attachment A of this RFP. The successful proposer must also obtain a City of San Bruno business license during the term of the agreement.

The Foundation reserves the right to reject all proposals or request additional information from one or more proposers. All costs incurred in the preparation of a proposal responding to this RFP will be the responsibility of the proposer and will not be reimbursed by the Foundation.

Proposals must not be marked as confidential or proprietary. Information in submitted proposals shall be subject to public disclosure laws. All proposals shall become the property of the Foundation.

Submit proposals (three hard copies along with an electronic copy) by January 15, 2020, to:

San Bruno Community Foundation  
Attn: Audit Committee  
901 Sneath Lane, Suite 209  
San Bruno, CA 94066  
[lhatamiya@sbcf.org](mailto:lhatamiya@sbcf.org)

Questions? Please contact Leslie Hatamiya, Executive Director, at [lhatamiya@sbcf.org](mailto:lhatamiya@sbcf.org) or (650) 763-0775.

# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Report from Ad Hoc Committee on Recreation and Aquatics Center Project

In March 2018, the Board created the Ad Hoc Committee on Recreation and Aquatics Center Project to serve as the Foundation's liaison to the City of San Bruno in the design and construction of a new recreation and aquatics center in San Bruno City Park, to be funded by up to \$50 million in strategic grants from the Foundation. On behalf of the Committee, President Frank Hedley will provide an update on the Recreation and Aquatics Center (RAC) project at the November 6, 2019, Board meeting. Board Member Nancy Kraus also serves on the Committee.

As you know, the overall project consists of three phases: conceptual design, development of schematic design plans and construction drawings, and construction. The Foundation and the City have agreed to fund the project through a series of separate grant agreements that will cover specific portions of the project costs, rather than a single grant for the full \$50 million. The first grant for the conceptual design phase has been completed and, in the end, totaled \$416,108.85. The Foundation completed payment on the grant in November 2018. The second grant, for up to \$5,420,388, covers architectural services through the schematic design/construction documents and construction phases and is outlined in more detail below. The third grant, for up to \$1,079,000, covers project and construction management services for the duration of the project.

#### **1. Grant #2: Architectural Services for Project Phases 2 and 3**

In December 2018, the City finalized its contract with Group 4 Architecture, Research + Planning for architectural services for Phase 2 (schematic design and construction documents) and for support services through Phase 3 (construction). Following execution of the contract, in January 2019 the Foundation and the City executed the second grant agreement for the project, to cover the costs associated with architectural design and support costs for the remainder of the project for an amount not to exceed \$5,420,388. The grant period runs through March 2022. Grant payments are being made on a quarterly basis, based on a progress report submitted by the City each quarter outlining expenses incurred. Thus far the Foundation has paid two quarterly payments totaling \$736,371.19. The Foundation recently received the

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third quarterly grant report (\$80,474.93 in expenses) and is in the process of disbursing that payment.

#### **2. Grant #3: Project Management and Construction Services for Project Phases 2 and 3**

On March 6, the Board approved a strategic grant to the City for project and construction management services on the project in an amount not to exceed \$1,079,000 and authorized me as Executive Director to finalize and execute on behalf of the Foundation a grant agreement setting forth the specific terms and conditions, including the specific grant purposes, for such a grant to the City. On March 12, the City Council approved a contract with Griffin Structures, which the City selected after a Request for Proposal process, for an amount not to exceed \$1,079,000. In mid-May, the Foundation and the City executed the third grant agreement for the RAC project, to cover the costs associated with project and construction management services for the duration of the project for an amount not to exceed \$1,079,000. The grant period runs through December 2022, and the reporting and disbursement schedule follows same schedule as for RAC Grant #2. Thus far the Foundation has paid one quarterly payment totaling \$19,585.56. The Foundation recently received the second quarterly grant report (expenses of \$5,243.70) and is in the process of disbursing that payment.

#### **3. Phase 2 Update**

The project's Phase 2 – schematic design and construction documents – continues, led by Group 4. Group 4 is currently in the design development stage and is proceeding with developing further detailed renderings and designs for City Council approval and subsequent construction. As mentioned in September, the project is proceeding through the California Environmental Quality Act (CEQA) process, which requires the City to identify the significant environmental impacts of the project and to avoid or mitigate those impacts, if feasible.

With regard to temporary facilities, City staff is working with the San Mateo Union High School District to investigate the use of the former Crestmoor High School site as a satellite Recreation Center while the new Recreation and Aquatics Center is developed. The City believes that most recreation and camp activities can be accommodated at the Crestmoor site or other alternative locations during construction, but aquatic operations will likely cease at the end of 2020 and not resume until the new facility opens. The existing pool will likely not remain open during the demolition and construction phases due to the close proximity to the main building project and the timing of demolition for both facilities (pool and existing recreation center).

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Report from Ad Hoc Committee on Crestmoor Scholarship

At its June meeting, the Foundation Board created the Ad Hoc Committee on Crestmoor Scholarship, consisting of Board Member Patricia Bohm as Committee chair and Secretary John McGlothlin and Board Member Nancy Kraus as Committee members. The Committee is charged with evaluating the Crestmoor Neighborhood Memorial Scholarship program and proposing adjustments to the program in order to better achieve its goals of honoring the Crestmoor neighborhood and assisting outstanding San Bruno students in seeking post-secondary educational opportunities. Such adjustments may relate to the program's scope, requirements, guidelines, implementation, and/or budget. On November 6, Chair Bohm will present the Committee's recommendations, including a resolution for Board consideration that would increase the budget for this coming year's Crestmoor Scholarship program to \$160,000.

At the September 4 Board meeting, the Committee presented five sets of potential recommendations it was considering. Based on feedback received in September and further research conducted since then, the Committee is moving forward with four recommendations for enhancing the Crestmoor Scholarship program.

#### 1. No Significant Changes to the Current Structure of the Program

As mentioned in September, the Committee feels that the Crestmoor Scholarship program has been a success and currently runs well under its current guidelines and structure. Over the past four years, the Scholarship has developed a reputation as a prestigious community award that not only recognizes community engagement and supports young leaders in obtaining a college degree, but also deeply honors the Crestmoor Neighborhood and those who most directly suffered from the 2010 gas pipeline explosion. The application process, criteria, and review process have all functioned well. Selection Panelists have been complimentary in how staff manages the review and selection process.

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#### 2. Enhance Outreach Efforts, Specifically Regarding the High School to Community College and Community College to Four-Year College Categories

In consultation with staff at Capuchino High School and Skyline College, Executive Director Leslie Hatamiya and Program Consultant Stephanie Rutgers have outlined a number of new ideas for promoting the Crestmoor Scholarship. These new steps include:

- Participation in Senior Family Night in October (Ms. Rutgers attended the gathering, staffing an informational table and mentioning the Scholarship in the oral presentation)
- Participation in Lunchtime Tables and Opportunity Fair (February 2020)
- Direct outreach to club advisers, coaches, and humanities and AVID teachers
- First-person testimonials from past Crestmoor Scholars (particularly those from the High School to Community College category)
- Creation of poster highlighting Crestmoor Scholars who are Capuchino alumni
- Advertising to Capuchino High School graduates through the Capuchino High School Alumni Association
- Expand outreach network at San Mateo County Community Colleges to include deans of counseling, advising, and matriculation in addition to the financial aid offices
- Outreach to community college coaches
- Placing an advertisement soliciting Crestmoor Scholarship applications in the City of San Bruno's "Winter Activity Guide" that is mailed to all San Bruno residents

Board approval is not needed to proceed with these enhanced outreach activities, and, in fact, implementation of many of these efforts has already begun.

#### 3. Increase Program Budget

The Committee recommends that the Board increase the Crestmoor Scholarship program disbursement budget from \$120,000 per year to \$160,000 per year. This increase of \$40,000 would enable the Foundation to award two additional scholarships (from four to six) each year in the highly competitive High School to Four-Year College category, which historically has attracted the largest and strongest applicant pool. Every year the Selection Panel has been impressed with these applicants and lamented the fact that it could not give additional awards in this category. In the past, given the success of the program, Board members have also expressed a desire to increase the number of scholarships awarded. In September, the Committee presented the idea of such a program budget increase to the Board, to which individual Board members voiced their support.

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Please note that the Committee assumes that the entire \$40,000 increase will be funded by Quasi-Endowment payout. As a result of feedback received from community members at the September Board meeting, the Committee is not recommending that the Board actively solicit external funding sources to support the Crestmoor Scholarship this year. The Committee believes that fundraising, including pursuing external funding sources for the Crestmoor Scholarship, is a broader topic for the Board to discuss as part of its upcoming strategic planning process.

As a reminder, analysis conducted by Treasurer Tim Ross and Kristin Sun, our representative at Sand Hill Global Advisors, suggests that Quasi-Endowment investment income is sufficient to comfortably support a \$40,000 annual budget increase. This analysis looked at various increases to the scholarship budget and their effects over the long-term once the Foundation is funded exclusively from investment income from the Quasi-Endowment. This analysis is important because it would not be prudent to increase the program budget if such an increase is not sustainable over the long term, when the Foundation's main revenue source for all programs and operations is investment income from the Quasi-Endowment. The analysis assumed that investment income from the Quasi-Endowment is the Foundation's sole source of revenue, the Community Grants Fund remains at its current annual level of SBCF funding (\$200,000), operating expenses are \$400,000 (FY 2019-2020 budget is at \$402,000), and the annual payout from the Quasi-Endowment should remain below 5% for the portfolio to support the Foundation in perpetuity. With this analysis, Treasurer Ross, Ms. Sun, and I concluded, given the current size of the Quasi-Endowment (about \$18 million) and the potential for increased volatility in the market in the coming years, that an increase in the Crestmoor Scholarship annual budget no greater than \$40,000 could be supported by Quasi-Endowment investment income on an ongoing basis.

To implement this recommendation, the Committee asks the Board to approve the attached resolution increasing the current fiscal year program disbursement budget for the Crestmoor Scholarship to \$160,000. The resolution also calls for an increase in the Quasi-Endowment payout rate for fiscal year 2019-2020 from the 1.9% approved in June to 1.96%. This slight adjustment will raise the Quasi-Endowment payout to \$327,527. At least \$327,500 is needed to cover all cash needs this fiscal year for payments to 2017, 2018, 2019, and 2020 Crestmoor Scholars.

#### 4. Propose Creation of Ad Hoc Committee on Vocational Education Strategic Initiative

As it mentioned in September, the Committee is recommending that the Board create an Ad Hoc Committee on Vocational Education Strategic Initiative to investigate ways in which the Foundation could support vocational educational opportunities for San Bruno community

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members, including partnering with organizations already working in this area. Such an initiative would be consistent with San Bruno's working-class roots and the need for more trained workers in many trades on the Peninsula today. It would also reflect the interest of Board members and community members in supporting individuals who seek job-specific vocational training (rather than the more traditional, academic four-year college route or attending community college with the intent of transferring to a four-year college). Both staff and the Committee agree that a strategic initiative, through which the Foundation might fund programs providing vocational education opportunities is a more appropriate way to address this interest than an expansion of the Foundation's scholarship program, which would likely be challenging to administer given the diversity of possible vocational training fields, programs, and target audiences.

As envisioned by the Committee, the new ad hoc committee would research and develop a proposal to partner with experienced organizations that are already working in the field of vocational education and invest in those programs in a way that increases opportunities for participation for San Bruno residents. Such a "Vocational Education Strategic Initiative" could involve significant grant funding to partner organizations that provide and facilitate vocational training with the goal of increasing outreach to San Bruno residents for existing programs and bringing new vocational training opportunities to San Bruno. Much like the ad hoc committee that envisioned the Music Education Strategic Initiative, a new ad hoc committee would convene community stakeholders and potential community partners to devise a plan to boost vocational training opportunities in San Bruno.

Because the new ad hoc committee may include new Board members whose terms begin in January, the Committee recommends that the Board create the new committee and appoint members to it at one of the first Board meetings in 2020. Therefore, the Board is not being asked to take any action on this recommendation on November 6.

The Committee looks forward to sharing its recommendations with the full Board on November 6.

#### Attachments:

1. Resolution Increasing Fiscal Year 2019-2020 Program Budget for the Crestmoor Neighborhood Memorial Scholarship to \$160,000



**RESOLUTION NO. 2019-\_\_**

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION  
INCREASING FISCAL YEAR 2019-2020 PROGRAM BUDGET FOR THE CRESTMOOR  
NEIGHBORHOOD MEMORIAL SCHOLARSHIP TO \$160,000**

**WHEREAS**, on June 5, 2019, the Board of Directors of the San Bruno Community Foundation approved its fiscal year 2019-2020 budget, which includes a \$120,000 program disbursement allocation for the Crestmoor Neighborhood Memorial Scholarship, and set the fiscal year 2019-2020 Quasi-Endowment payout rate at 1.90%, resulting in a transfer from the Quasi-Endowment account to the Liquidity Pool account of \$317,510, to be used to meet the cash needs of the Crestmoor Neighborhood Memorial Scholarship and the Community Grants Fund in the 2019-2020 fiscal year;

**WHEREAS**, the Board, on recommendation from the Ad Hoc Committee on Crestmoor Scholarship, which was charged with evaluating the scholarship program and proposing adjustments to the program to better achieve its goals of honor the Crestmoor neighborhood and assisting outstanding San Bruno students headed to college, now wishes to increase the program budget for the Crestmoor Scholarship to \$160,000 for fiscal year 2019-2020 in order to increase the number of scholarships to be awarded;

**WHEREAS**, the increased Crestmoor Scholarship program budget would require an increase in the Quasi-Endowment payout rate to 1.96%, resulting in a payout of \$327,537; and

**WHEREAS**, the increased Quasi-Endowment payout rate remains consistent with the original long-term vision for the Quasi-Endowment and allows the Quasi-Endowment the opportunity to continue to grow.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors increases the fiscal year 2019-2020 program disbursement budget for the Crestmoor Scholarship to \$160,000.

**FURTHER BE IT RESOLVED** that the Board of Directors increases the Quasi-Endowment payout rate for fiscal year 2019-2020 to 1.96%, resulting in a transfer from the Quasi-Endowment account to the Liquidity Pool account of \$327,537, to be used to meet the cash needs of the Crestmoor Neighborhood Memorial Scholarship and the Community Grants Fund in the 2019-2020 fiscal year, and grants the Executive Director the discretion to divide the transfer into smaller increments, set the timing of the transfer of those increments, and to transfer less than the approved amount, based on the Foundation's cash flow needs.

Dated: November 6, 2019

ATTEST:

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John McGlothlin, Secretary

I, John McGlothlin, Secretary, do hereby certify that the foregoing Resolution No. 2019-\_\_ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6<sup>th</sup> day of November, 2019, by the following vote:

AYES:        Board members:

NOES:        Board members:

ABSENT:     Board members:

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## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Report on Other Programs (Community Grants Fund and Other Strategic Grants)

At the November 6, 2019, Board meeting, Program Consultant Stephanie Rutgers and I will give an update on the Community Grants Fund and various strategic grants.

#### 1. Community Grants Fund

The Foundation received 51 applications for Community Grants by the September 25 deadline, which represented an 11% increase over the previous year. The applicants range from established nonprofits with professional staff to small, grassroots, all-volunteer community organizations. Nearly half of the Applicant Organizations are previous grantees. Some have reached their third year of funding for one specific program (the limit for consecutive years of funding under the program guidelines) and are now applying in their fourth year for a different program. Prior year grantees are not guaranteed additional years of funding, and their applications are being considered in the context of this year's applicant pool.

After receiving the applications, Ms. Rutgers began conducting due diligence, reviewing the applications for completeness and checking to ensure that the applications meet the Foundation's applicant and activity eligibility guidelines based on their responses to specific questions on the application. In addition, she checked several federal and state registries to see whether applicant organizations are properly registered with the appropriate government agencies (IRS, California Secretary of State, California Franchise Tax Board, and California Attorney General's Registry of Charitable Trusts).

The applications are currently in the second stage of review. A review panel of 14 individuals (community members and/or individuals with experience in grantmaking and the nonprofit sector) is in the process of reviewing and rating the applications based on the five criteria set forth in the program guidelines:

- Benefits of the proposed program to the San Bruno community
- Proposal's alignment with one of the Foundation's focus areas
- Program methodology and budget

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- Requested grant amount in relation to the anticipated community benefit
- Organizational track record, stability, and financial health

After independently reviewing the applications, the panel will meet to discuss the applications. The panel may seek additional information from applicants, as needed to properly evaluate the applications. With the Executive Director and Program Consultant, the panel will ultimately make a recommendation on grant awards to the Board. The goal is for the Board to consider and approve grant awards at the December 4 Board meeting. With the \$100,000 donation from Google.org and YouTube announced over the summer, the Foundation plans to award grants totaling \$300,000 this cycle.

## **2. Other Strategic Grants**

### **a. First Responder Effectiveness Strategic Initiative**

In June, the Board approved a second grant to the City of San Bruno under the First Responder Strategic Initiative, in an amount not to exceed \$303,545, to cover costs related to the acquisition of a mobile command vehicle that can be deployed at the scene of a critical incident, natural disaster, or planned large-scale event. The San Bruno Police Department is working with the vendor to finalize plans for the mobile command vehicle, and City staff plans to bring the contract with the vendor for construction and acquisition of the vehicle to the City Council for approval on December 10, 2019. Once the contract is fully executed, the Foundation and the City will finalize and execute the grant agreement for this project.

### **b. Florida Avenue Park Development**

Progress is being made in the development of a new City-owned park on Florida Avenue, which the Foundation has supported with a \$200,000 grant. As reported previously, development of the park had been stalled due to the threat of a lawsuit by a group of community members related to the removal of two heritage trees on the site. On September 24, 2019, the City Council authorized modifications to the Florida Avenue Park Master Plan, which calls for removing an approximately 90-foot tall pine tree that would have posed a significant safety risk to future users of the park. The non-native pine tree will be replaced with a mature/nursery grown Coastal Live Oak, which is native to the region. The City signed a settlement agreement with the residents that appealed the removal of the trees, ending a nearly twelve-month delay in the development of the new park.

City staff and the landscape architect for the park are finalizing design drawings and cost estimates, which are projected to take two to three months, with a formal construction bid process to occur shortly thereafter. Park construction is estimated to begin in mid-2020.

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#### c. Music Education Strategic Initiative

There are no new updates on the Music Education Strategic Initiative. The Board received a thorough report from representatives of the Capuchino High School Alumni Association and the San Bruno Education Foundation in September.

#### d. Community Day

The City will report on its plans for Community Day 2020 and the Board will consider a request for funding for the 2020 event at the December Board meeting.

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Report from Ad Hoc Committee on Gift Acceptance Policy

At the November 6, 2019, Regular Meeting of the Board of Directors of the San Bruno Community Foundation, Chair Nancy Kraus will present a report from the Ad Hoc Committee on Gift Acceptance Policy and a resolution adopting a gift acceptance policy for Board consideration. Board Members Pat Bohm and Jim Ruane also serve on the Committee.

#### **1. Committee Charge**

At its September 4 meeting, the SBCF Board of Directors created the Ad Hoc Committee on Gift Acceptance Policy, comprised of Board Members Pat Bohm, Nancy Kraus, and Jim Ruane. The Board's action to create the Committee occurred in the context of discussing the possibility of soliciting donations from community partners to support the Crestmoor Neighborhood Memorial Scholarship. The Committee was charged with developing and proposing for Board approval a gift acceptance policy, which guides a nonprofit in the types of gifts it can accept and educates the staff and Board about critical issues triggered by certain gifts.

Taking into account public feedback received on September 4 regarding possible SBCF efforts to fundraise, the Ad Hoc Committee on Crestmoor Scholarship has revisited its earlier proposal to seek community partners to help fund the Crestmoor Scholarship program and will not be advocating that the Foundation seek external funding partners for the next Crestmoor Scholarship cycle. Even though the Ad Hoc Committee on the Crestmoor Scholarship has declined to recommend seeking donations for the Crestmoor Scholarship, it is appropriate for the Foundation to move forward with adopting a gift acceptance policy that follows nonprofit best practices, should unsolicited donations/gifts materialize over time.

#### **2. Gift Acceptance Policy**

The primary benefit of a gift acceptance policy is to maintain discipline in gift acceptance and administration. With an articulated policy, the Foundation is not left to scramble to figure out how to deal with potential donations of a non-cash form (*e.g.*, publicly traded stock, real property, or tangible personal property), potential donations that may be costly to administer,

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potential donations that may be inconsistent with the Foundation's mission, or other potential donations with tricky circumstances. A gift acceptance policy provides staff and the Board with guidance on what types of gifts are generally accepted, what types need further evaluation, and how the evaluation process is to occur. I have attached a helpful article from the Planned Giving Design Center, entitled "Understanding and Drafting Nonprofit Gift Acceptance Policies," which outlines the purposes for a gift acceptance policy and issues to consider in drafting such a policy.

The Ad Hoc Committee on Gift Acceptance Policy met on September 24, 2019, and reviewed a preliminary gift acceptance policy based on a policy template provided by the Foundation's outside counsel at NEO Law Group, which is very similar in structure to many other gift acceptance policies I found online. In developing the draft, I discussed issues I thought would be of particular concern to the Foundation with NEO attorney Erin Bradrick, and we tweaked the template accordingly to address them. Based on feedback received from the Committee on September 24, Ms. Bradrick and I revised the policy, resulting in the final draft being presented to the Board for approval on November 6.

A few points to consider as you read through the policy:

- The language of the Foundation's mission is verbatim taken from the purpose statement in the Foundation's Articles of Incorporation.
- The section on "Acceptance of Gifts in General" provides the Executive Director with the general authority to accept gifts in accordance with the policy. This section outlines eight types of gifts that SBCF typically would not accept. When a potential gift falls into one of the categories enumerated in this section or is otherwise called out in another part of the policy, it calls for the Executive Director to consult with the President. If the two of them believe that the potential gift may fall within one of the categories, they will bring the potential gift to the Board to decide whether to accept or decline it. This provides a mechanism for potentially declining a gift that could harm the Foundation's reputation or is not in the best interest of the Foundation, among other things.
- The "Type of Gifts" section outlines a long list of different gift vehicles. I believe the vast majority of potential gifts to the Foundation will be cash donations, but this section of the policy will provide guidance in the event that a different type of gift is offered, even if the likelihood of some types of gifts being made is small. It is helpful to already have in place a process for handling potential gifts that would come in the form of less common gift types, like real property, securities, or bequests.

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With the support of the Committee, I recommend that the Board approve the resolution adopting the Gift Acceptance Policy. Upon the Board's approval of the policy, the Committee's work will be concluded.

#### Attachments:

1. "Understanding and Drafting Nonprofit Gift Acceptance Policies," by Planned Giving Design Center
2. Resolution Adopting Gift Acceptance Policy
3. Exhibit A: Gift Acceptance Policy





# Understanding And Drafting Nonprofit Gift Acceptance Policies

by Kathryn W. Miree, JD

Gift acceptance policies are rarely adopted at the inception of a nonprofit organization's fundraising program. Early development activities usually focus on cash, and occasionally marketable securities. There is little discussion of, or involvement with, other gift forms. Gift acceptance policies are a product of capital campaigns or planned giving campaigns in which planned giving concepts, such as gifts made from assets, split interest gifts, and deferred gifts are introduced. Once gift acceptance policies are in place, however, they tend to drift to the back of the policy manual where they age unnoticed and no longer provide the intended safeguard. This analysis is designed to help you gain a greater understanding of the details, draft a set of policies, and make, or advise your clients to make, better decisions about gift acceptance.

## The Purpose And Role Of Gift Acceptance Policies

Gift acceptance policies provide discipline for the nonprofit development program in several ways. First, the policies define the types of assets that are acceptable. Second, policies establish the gift forms that are acceptable. And finally, gift policies define the organization's role in gift administration.

The primary benefit of gift acceptance policies is to maintain discipline in gift acceptance and administration. Discipline prevents the acceptance of gifts that will cost the nonprofit organization time, money, and possibly its reputation, by reminding the organization when to say, "No."

Policies also serve to educate the nonprofit organization's staff and board about critical issues triggered by certain gifts. It is difficult to absorb and appreciate the practical issues associated with acceptance of certain gift forms without working through them and making choices about how to handle them.

The process of adopting the gift administration policy allows the staff and the board to work through the practical issues, such as costs associated with certain gifts, and is a far more valuable educational tool than a seminar or article on the subject. New board members, or those who have never evaluated potential gifts, may at first see the offer of a large boat as an exciting possibility. After a discussion of carrying costs, such as insurance, transport, storage, maintenance, and expenses related to its sale, they will better understand the gift evaluation process.

The process of creating gift policies helps focus and strengthen the gift administration program. Regular review ensures that the development staff and the board bring up and answer questions critical to the planned gift program's integrity. It ensures that legal counsel is sought prior to the emergence of legal issues and that professional assistance is identified as a resource prior to the attempted resolution of problems.

The adoption process is also a good way to introduce planning ideas to board members who have not been receptive to brochures or other attempts at education. A better understanding of the gift acceptance process frequently produces new gifts. Rarely do board members go through the process without generating questions relating to their personal assets and opportunities. Invariably, there is a new gift of an asset not previously considered or a gift in a form not previously understood.

And finally, the process gives the board a chance to make decisions about policy without the distraction of a pending gift to blind its collective judgment. Experience shows that it is hard for a planned giving officer or board to form the word "no" once the gift, however unattractive, is sitting on the table.

To be effective, policies must be in place before the organization begins to consider acceptance of specific gifts. Some organizations prefer the "make-policy-as-needed" approach because the decision-makers believe that it preserves flexibility and discretion in policy making. More often this approach leads to poor decisions for several reasons.

First, decisions based on case-by-case scenarios breed inconsistency. The results reflect the personal opinions of board members, not consistent policy. Most nonprofit boards change annually. While some board members remain from year to year, the full group always changes over a three- to five-year period. Since each of us brings different personal experience and attitudes to the table when making decisions, judgments change as the committee changes.

Second, the glittering appeal of the potential gift can cloud good judgment. It is difficult to make a list of potential problems and issues while you stare at the gift. The tendency of the planned giving or development officer is to do everything possible to accept the asset.

Third, without established policy a nonprofit may send mixed signals to potential donors. Suppose the planned giving officer receives what can only be described as a wretched gift, and thanks the donor profusely. Later, after sorting through the issues, he/she finds that the gift must be rejected. The donor is left to wonder why the initial excitement changed to a disapproving "no." A better way to handle gift acceptance is to tell a donor that the organization appreciates the gift, but its

policies require a review of certain assets to ensure proper handling. A timely review, even with a resulting "no" is easier to understand.

It is important to note that a good set of policies and checklists will also prevent donors from making mistakes. Too often a donor's accountant or attorney is not familiar with details such as the related use rules, the valuation requirements, or pre-arranged sale issues. Raising questions in the gift acceptance process may save a donor from disappointment when the time comes to file his or her income tax return.

## Drafting And Adopting Gift Policies

Developing gift acceptance policies should be a collaborative process involving the planned giving staff, the organization's director or president, the board's committee responsible for oversight, and the professional advisory committee or advisor. The combined insight of this group provides the broadest perspective and guidance on the issues. Simply adopting another institution's gift policies, without understanding the issues and without tailoring them to fit your organization, will not provide protection. Once again, the greatest value of the process is the education board and staff members receive in gift evaluation.

Gift acceptance policies, once developed, should be approved and adopted by the board of directors. The date of this approval should be attached to the policies.

After adoption, the gift acceptance policies should be reviewed annually. This review is an important process in which the policies are dusted off and reread, and forgotten items reinstated in memory. Review also allows fine-tuning or amendment to the policies in the event that changed circumstances allow the organization to accept new gifts, or to restrict or expand the manner in which current gift forms are handled.

All of that said, policies should provide for a way to make exceptions to the rules, although such exceptions should be rare. Design a review process for deviation that requires the approval of the planned giving director, the executive committee and the agency executive director. Make sure that any action that runs counter to the gift policy is well supported and well reasoned.

In addition to drafting policy, the nonprofit must ensure that it has the expertise available to follow through in critical areas. Real estate appraisers, environmental analysts, property brokers, and legal advisors must be identified before the need arises. Only then can the nonprofit engage professional advice quickly to make a timely analysis without leaving the donor waiting for an answer.

## The Critical Elements Of The Policies

Take a look at the sample policy in [Exhibit A](#) as we work through each section. Some policy elements are straightforward and simply provide the context for making decisions. Other areas, such as acceptance of non-marketable gifts, create more liability and will be discussed in greater detail. Throughout this article reference is made to the gift acceptance committee. This term is used generically to denote the board committee responsible for acceptance of gifts. In some organizations this responsibility lies with the executive committee, while in others it may be the finance committee, development committee, or planned giving committee. The segments of the policies are discussed below.

### Mission and Purpose

The organization's mission and purpose should be a part of every document generated by and for the nonprofit. It is important to keep the organization's goals in mind when drafting and using the policy. Place the mission statement prominently at the top of the document to remind everyone of the vital role the organization serves.

### Purpose of Policies and Guidelines

The purpose of the gift acceptance policies should be clearly stated. In most instances, the purpose is to govern acceptance of gifts and to provide guidance to donors and their professional advisors in completing gifts. Purposes may include more elaborate language related to discharging fiduciary responsibility, protecting the board from third party liability and IRS sanctions, and protecting the nonprofit from unanticipated costs and negative publicity.

### Use of Legal Counsel

The policy should clearly state that the nonprofit will seek the advice of legal counsel when appropriate. The purpose of legal counsel is to provide protection. Legal counsel generally represents an unbudgeted expense, and both the planned giving officer and the gift acceptance committee are generally reluctant to suggest adding expense to the transaction. By stating that counsel will be engaged when appropriate, the policy provides a platform for the use of counsel, while leaving discretion on the final decision to the gift acceptance committee.

Consider these ways to add depth to this section:

1. List the circumstances under which counsel will be engaged. This could include:
  - The review of certain gifts, such as closely held stock, or closely held stock subject to buy-sell agreements or other restrictions.
  - The review of all transactions governed by contracts or legal documents. This would include bargain sales, trusts naming the nonprofit as trustee, or any document obligating the trustee to take action.
  - The review of all transactions with potential conflicts of interest. This may include use of board members as sales agents in transactions, leases of gift property to staff or board, etc.
  - Other circumstances in which the committee or board members believe that use of counsel are appropriate. The detail is not meant to restrict or force the board to use counsel, but rather to provide some guidance when the advice of an attorney might be prudent. Most committee members making decisions about acceptance of closely held stock, for example, are not likely to be familiar with the Ferguson<sup>1</sup> case, liquidity issues, or other dangers of restrictive or prearranged transfers.
2. Separate the duties of board members and legal counsel. It is difficult to use a board member as counsel either in a paid or unpaid capacity. When a board member serves as a paid legal advisor, it is difficult to separate the person's role as a board member from his or her role as counsel. Counsel should serve as an independent observer and advisor. Even when the counsel/board member achieves objectivity, it is difficult for the board to take legal advice from an equal on the board. Finally, there are the troublesome personal benefit issues that always arise. While these issues can generally be addressed and overcome, it is a better practice to hire outside counsel to ensure complete objectivity.
3. Acknowledge that use of counsel, when appropriate, is part of the fiduciary role exercised by the board members. The board has a duty to protect the nonprofit organization's assets and to provide proper guidance to its management. Placing use of counsel in the context of the board's fiduciary role, rather than as an unbudgeted expense, may also make it easier to engage help when needed. Every planned giving program budget should contain provision for this critical function.

## Donor Conflict of Interest

The policies should make it clear that the nonprofit will strongly urge and advise the donor to seek independent professional counsel prior to making a gift. It is appropriate here to incorporate the National Committee on Planned Giving (NCPG)'s *Model Standards of Practice for the Charitable Gift Planner*. Also include as references the National Society of Fund Raising Executives (NSFRE)'s *Donor Bill of Rights*, and any other document recognizing the importance of independent advice for the donor, and "truth in advertising" in communicating with the donor. Conflicts with donors most often arise when the donor and charity have a long-term, strong relationship rather than when the relationship is new.

Discuss donor conflict issues with the board. Board members may be quick to question the donor's need for outside counsel, and eager to offer documents, advice, and other encouragement to complete the gift. The board will have a better understanding of the issues once those points are explained.

Board and staff conflict of interest issues should also be addressed. Board members may be eager to get involved in fundraising ideas that involve sales of products or services to the organization's donors. [Exhibit C](#) provides a sample conflict of interest statement that is recommended as a model or template for a statement signed when beginning board or staff service.

## Restrictions on Gifts

Gift policies are an excellent place to explain the organization's attitude toward restricted gifts. All organizations prefer unrestricted gifts. However, planned giving donors who have a long-term relationship with, and an understanding of the role the organization fills generally have a specific purpose in mind for the gift.

The nonprofit should determine the types of restrictions that can be placed on gifts. These options will range from a rigid policy prohibiting restrictions, to endowment pools for specific purposes, to a broad policy stating that all gifts that fit the organization's mission and purpose will be accepted. All policies, however, should state that gifts that are counter to or beyond the scope of the nonprofit's mission and purpose will be turned down.

It may also be appropriate to include language about specific endowments, chairs or other naming opportunities, and set the dollar limits, pledge restrictions, and other governing principles. Large schools and universities should have more extensive policies to ensure proper communication and consistency. Smaller organizations may be able to manage with a less detailed policy.

It is best to designate a committee to decide whether the restricted gift meets the criteria set forth in the organization's gift policy. A committee can act faster than the full board to accept, reject, or negotiate the purposes of a gift. Ideally this group will be the designated gift acceptance committee—a group with knowledge of both the organization and its gift acceptance policies.

## The Gift Acceptance Committee

The committee set up to review gifts, or in some cases to make recommendations on acceptance to the Board, must be made up of individuals who know the nonprofit's mission and operation well and have the expertise and experience to make decisions. This committee should be small enough to respond quickly to unusual gift offers and to make timely decisions. The structure suggested in the example policy (Section V, Exhibit A) is most appropriate for large institutions. Smaller charities may prefer to delegate this job to the development committee, the finance committee, or even the executive committee.

## Types of Gifts

A list of the types of planned gifts appears in Section VI of Exhibit A and requires careful attention. Most nonprofits, especially those just embarking on a planned gift program, will not be able to accept all types of gifts because they lack the expertise or the resources to manage the gift or gift form. Look at each gift form as part of the evaluation process, and when you write your nonprofit's gift policy, state clearly the types of gifts that are appropriate for your organization and the types of gifts that are not appropriate.

The most common gift forms include:

**Cash.** It is difficult to find a downside with cash. And since the NCPG's 1993 Survey of Donors indicated that the majority of bequests were funded with cash, the category should be on the list.

**Tangible Personal Property.** Tangible personal property includes art, furniture, coin and stamp collections, livestock, jewelry, equipment, cars, boats, clothes, and any other personal property item owned by a donor. The nonprofit must be extremely careful about the receipt of personal property, especially when such property is received in exchange for a gift annuity. The charity will have an obligation to pay an income stream based upon the gift's value on the date of gift. The charity must be able to determine the gift's value and marketability before accepting it or run the risk of creating a negative cash flow transaction (instead of a gift).

The nonprofit's gift acceptance policy must address issues related to the types of property that will be accepted. The review function is best performed by a committee (the less visible the committee, the better) that asks and answers the following questions:

- Does the property fulfill the mission of the nonprofit (related use)?
- Is the property marketable?
- Are there any undue restrictions on the use, display, or sale of the property?
- Are there any carrying costs for the property (insurance, lease space, maintenance to preserve value, appraisal for sale purposes)?

Be sensitive to the special tax issues affecting the donor. A tax deduction for the market value of the gift is allowed when the organization will use the gift (related use). Determine whether the gift will be used by the nonprofit or sold. Gifts donated for auction are considered to be unrelated use items since the gifts are sold and are not used by the nonprofit. The deduction for personal property contributed to a charitable remainder trust or a pooled income fund is limited to cost basis. Personal property that is contributed to a charitable remainder trust or a pooled income fund will not be deductible as long as the donor or a donor's family members receive income from the trust.

**Marketable Securities.** There are only a few dangers in acceptance of marketable securities, all of which relate to timing. To the extent possible, the following issues should be addressed in the gift policy or on a checklist attached to it.

- **Timing of the gift.** The donor runs the risk of assignment of income (capital gains) if the gift is made after a commitment to sell, or in the case of an outstanding tender, if the gift is made after the time at which the tender is fixed. The Ferguson<sup>2</sup> case produced a negative result for the taxpayer who began the giving process early in the tender, but completed it after the tender trigger was reached. While the case provided a look at what didn't work, it provided little guidance on how to avoid the assignment of income problem.
- **Timing of the transfer.** Donors may face difficulties on timely transfer of securities. Planned giving officers (PGOs) should take the time to identify where and when the transfer will occur. Donors and PGOs can improve the timeliness of the transfer with active involvement by securities firms. Nonprofits can also make transfer easier by maintaining "house" accounts with the major securities firms so that donors can make an intra-firm account transfer without having to transfer the gift from firm to firm.
- **Timing of the sale.** Gift acceptance policies should state that marketable securities are sold upon acceptance. Too often policies say that the investment committee will make a decision on sale, or the board will consider that issue. Neither the board nor the investment committee is a professional manager. The board's role is to manage the investment process by providing direction and oversight. If money management is assigned to a professional manager, gifts should be reduced to cash and transferred to the manager for investment as quickly as possible. The transaction cost of the sale is small compared to the loss that can be experienced with delay in sale.

**Closely held securities.** Closely held securities are generally defined as securities that are not broadly or publicly traded and include not only debt and equity issues of C and S corporations, but also limited liability companies (LLCs) and limited partnerships (LPs). The definition of "publicly" traded relates to the ability to establish a proven market in which a "willing buyer and a willing seller" set a price or value for the security. The lack of a market to determine what a willing buyer would pay a willing seller affects valuation and liquidity upon receipt. Policies should address how value and marketability are determined prior to acceptance, how restrictions are examined and resolved, and when legal counsel is required prior to acceptance of the gift.

The nonprofit should conduct an adequate review (either internal or external) to determine:

- The security is not restricted. There may be restrictions noted on the face of the certificate indicating that the security is subject to a buy-back agreement at a set price, or that it must first be offered to a specific group at a set price before being offered on the open market.
- The security is marketable. This means there is evidence of interest and some trading in the security. Often this trading occurs at the company as the board or company employees purchase stock.
- The security will not generate undesirable tax consequences for the nonprofit. Certain interests, such as Sub-S stock and certain partnerships or LLCs, generate unrelated business taxable income. While most organizations will be willing to pay the tax in order to take the gift, the consequences of the gift should be understood in advance.

**Real estate.** Real estate gifts are some of the most dangerous gifts for charity. Not only are there a series of liability issues associated with acceptance, but real estate is also one of the most commonly owned assets. It is a likely gift.

There are two big issues related to the nonprofit acceptance of real estate: Environmental liability and practical issues related to disposition of the property. One of the greatest risks facing owners of real property is environmental liability. The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), enacted in December 1980, created a merciless liability structure for "responsible parties" in the chain of title to an environmentally damaged property. The liability for clean up exists without regard to the actual knowledge of the owner or the material participation of the owner. Costs for removal of the hazardous materials and restoration of the property, including clean up of soil and ground water, can easily run into millions of dollars and far exceed the value of the property involved.

Charities are not immune from the environmental protection laws. The nonprofit organization should have detailed policies that require the environmental review of all anticipated gifts of real property. Sample environmental review forms are attached to this article as **Exhibit B**. Use this or a similar environmental review process to protect your organization.

The nonprofit must also be cautious when serving as trustee of a charitable remainder trust or charitable lead trust, because exposure may extend beyond the assets of the trust. The few decisions that have been rendered relating to fiduciary responsibility in instances in which the nonprofit might serve as trustee have dictated tough results. The second decision in *City of Phoenix v. Garbage Services*<sup>3</sup> provided some insight into the liability for a fiduciary. In that decision, the court held that:

1. Fiduciary liability is limited to the value of the contaminated asset when the contamination occurred prior to the time of the trustee's ownership, or when the trustee owned the property during the time of contamination but had no control and did not knowingly allow the contamination to happen.
2. Fiduciary liability extends to the fiduciary's own assets when the trustee not only owned the property at the time of contamination, but also controlled the use of the property and knowingly allowed the contamination.

Recent legislation addressed this liability issue. H.R 3610 contained the "Asset Conservation, Lender Liability and Deposit Insurance Protection Act of 1996," which amended CERCLA to provide that:

"The liability of a fiduciary under any provisions and this Act (CERCLA) for the release or threatened release of a hazardous substance at, from or in connection with a vessel or facility held in a fiduciary capacity shall not exceed the assets held in the fiduciary capacity." <sup>4</sup>

However, this protection is not available where the fiduciary's conduct was negligent or created responsibility for the contamination. <sup>5</sup> In essence, the decision in *Phoenix* was codified.

Experience has shown that most development officers or executive directors will want to find a way to accept a gift of real property. However, sometimes the gift is not appropriate because it will create a problem, or will divert the focus of the nonprofit. And sometimes the gift is not appropriate for the purpose for which it is given. Additionally, as detailed above, sometimes the gift is costly.

A practical review of the property begins with an analysis by a real estate committee or gift acceptance committee that considers the following issues:

- Is the property useful for the purposes of the nonprofit?
- Is the property marketable?

- Are there any restrictions, reservations, easements, or other limitations associated with the property?
- Are there carrying costs, such as insurance, property taxes, mortgages, or notes, etc., associated with the property?
- Does the environmental audit show that the property is not damaged?

Depending on the responses to these questions, the nonprofit must then examine the form of the charitable gift and ask additional questions detailed below.

Many issues should be considered by both the donor and charity before funding a charitable remainder trust (CRT) with real property. Questions to raise are:

- **Is this an annuity trust or a unitrust?** If the trust is an annuity trust, the trust will have difficulty in meeting the income obligation. If the property is not sold before the first payment is due, an "in kind" distribution must be made that is equal in value to the income distribution required, which further complicates the ultimate sale of the property. The annuity trust also faces a valuation dilemma. When a property is given with a value of \$1,000,000, but sold for \$800,000, the trust must still distribute an annuity amount based upon the original value.
- **If the trust is a unitrust, does it have a flip provision?** The ability to begin the trust as a net income unitrust, and then "flip" to a standard unitrust, provides flexibility for the sale of real estate. A unitrust provides protection for the valuation issue because if the property is sold for less than the contributed value, or property related expenses reduce its value, the annual distribution is reduced as well.
- **Is the property mortgaged?** Mortgaged property must not be contributed to a CRT.
- **Is the property the donor's home?** Be careful in the event that the donor places his or her residence in a CRT. While there is no prohibition on the contribution of a residence, the donor may not continue to enjoy the use of the property after the date of contribution.

**Pooled income funds.** Real estate is generally a poor choice for funding a pooled income fund. The pooled income fund distributes net income to the donors who hold units. Real estate is generally non-income producing and may incur expenses (charged to income) prior to sale. Therefore, a gift of real estate is likely to reduce the income stream for all participants. Many organizations have policies that prevent the contribution of a gift of real estate to a pooled income fund.

**Charitable gift annuities.** If real property is contributed in exchange for a gift annuity, and the property does not produce income or produces insufficient income, the receiving organization must have the resources to pay the income stream in the period before the property is sold. And it must be certain that the value on which the annuity is based is fair and reasonable. If a nonprofit accepts a gift of real property for a gift annuity, it must be certain it can sell the property quickly for the established value. Many organizations will not accept real property in exchange for charitable gift annuities because of these uncertainties.

**Deferred charitable gift annuities.** The analysis is somewhat different when real property is contributed in exchange for a deferred gift annuity. A deferred gift annuity generates payments at some point in the future, meaning that the nonprofit will have some time to sell the property in order to make those payments. However, the nonprofit should still make sure the property can be sold without much delay, and that the value used to establish the annuity is fair and reasonable.

**Remainder interests in property.** The issues related to remainder interests in property include economic responsibilities during the term of the life interest, as well as review of conduct and control of the property during the term of the life interest. In some instances the charity may not know of the remainder interest gift. In others, the charity will be actively involved in the solicitation. When involved, the charity should ensure maximum protection from environmental liability by remaining continuously in touch with the donor and the condition of the property throughout the life term.

**Oil, Gas, and Mineral Interests.** Organizations located in active mineral interest states, such as Texas, may encounter opportunities for gifts of oil, gas, or mineral interests. Severed interests can be represented by surface rights, or the interest in the minerals alone. These interests are generally owned as working interests or as fractional partnerships. They are difficult to sell and unpredictable in income generation.

If your organization is unfamiliar with these interests you may not choose to get involved in accepting this gift form. If you do have the expertise to manage or sell these gifts, consider setting minimum gift sizes so that your administrative office is not burdened with a paper chase that generates minimum income.

Have the form of the interest reviewed to insure that you are not accepting unrelated business taxable income property, which is generated by some forms of oil, gas, and mineral ownership. In addition there are special issues with oil and gas that relate to valuation and whether such interests are a form of non-qualified partial interest property. The IRS published a private letter ruling in 1984 that approved a charitable deduction of an oil and gas interest. (Private letter rulings cannot be relied upon, but indicate attitude of the IRS.)

**Bargain Sales.** A bargain sale can be an effective gift tool in some circumstances. The bargain sale most often involves gifts of real property, meaning that the policies should reflect that bargain sales of real estate undergo the same evaluation required for outright gifts. In most instances, the gift acceptance committee should make the final decision on a bargain sale

since acceptance should depend on whether the bargain sale is in the best interest of the organization. Factors for consideration include:

- Will the nonprofit use the property or sell it?
- The results of the environmental review.
- The condition of the property.
- The ratio of debt to equity, if a mortgage is assumed.
- The ability to cash flow the debt, if a mortgage is assumed.
- The ability to cash flow the carrying costs of the property including taxes, insurance, and maintenance of the property.
- Are there unrelated business tax issues associated with the sale of the property/mortgage?

Remember that the bargain sale has a special impact on the donor as well since it triggers special rules applicable to basis. These rules require the donor to allocate the basis in the property in a pro rata fashion between the gift and sale portions of the transactions.

**Life Insurance.** Life insurance can be a valuable part of a planned giving program because of the special donor niches it can reach. There are two ways that outright gifts of life insurance are used in planned giving: The transfer to charity of an older policy that the donor no longer needs; or the transfer of funds to charity to purchase a policy on the life of the donor. In the first instance, the policy represents a non-income producing item that makes an excellent gift because it does not impact the donor's lifestyle. In the second instance, the life insurance policy represents a way to leverage the value of the gift to charity. A series of small premium payments can create a large endowment gift at death. This section of the gift acceptance policy deals solely with the irrevocable transfer of an existing insurance policy.

The nonprofit must have guidelines that spell out action to take on the receipt of an insurance policy. If the policy is a term policy and premium payments must be made to keep the policy in place, the nonprofit must have the cash flow to make those payments. There are few circumstances in which nonprofits should accept term policies.

If the policy is a whole life policy, premium payments may also be due. Is it in the best interest of the nonprofit to make those payments? Experience shows that there is not a standard answer to this question. Rather, the nonprofit should have a committee or group that reviews the policy and makes a decision on a case-by-case basis. Alternatives include:

- Continuing to make the premium payments. This course of action must be based on economic/investment judgment. Is it a good investment for the nonprofit? Can the nonprofit afford the cash flow?
- Conversion of the policy to a paid up policy. Conversion will reduce the face value of the policy, but will capture the value of the policy on its date of gift.
- Exchange of the policy for its cash value. Exchange of the policy for its cash value is another way to realize or capture the value the policy on its date of gift.
- Sale of the policy to a viatical company. There are companies now that buy policies when the insured is age 65 and older. These companies may pay more than the cash surrender value.

**Charitable Gift Annuities.** Charitable gift annuities require the most thought of all. The organization must clearly understand the liability created in issuing the annuity. The nonprofit must register in states where gift annuities are offered and disclose the appropriate financial information. And the organization must invest the assets in accordance with the laws, to cash flow the annuity payments and to protect the nonprofit from negative cash flow over the life of the annuitant.

The gift acceptance policy should include:

- Minimum and maximum size of the charitable gift annuity issued by the nonprofit.
- Minimum and maximum ages of charitable gift annuitants.
- The types of property accepted in exchange for charitable gift annuities, making distinctions, if appropriate, between current annuities and deferred annuities.
- The states in which donors may execute charitable gift annuities.
- The manner in which the charitable gift annuities will be managed for investment and administration purposes.

**Trustee Appointments.** While organizations may choose to accept charitable remainder trusts, they may choose not to serve as trustee. Where charities do serve as trustee, they should ensure that:

1. State law allows the charity to serve as a fiduciary.
2. The charity understands the fiduciary obligations of serving as fiduciary.
3. The charity is careful to avoid unnecessary exposure to liability by serving as trustee for other organizations. Some nonprofits serve only where the charity is the sole, irrevocable beneficiary of a charitable remainder trust. Others are willing to serve so long as the nonprofit is the irrevocable beneficiary of 50% or more of the remainder.
4. The charity sets minimum non-charitable beneficiary ages, maximum number of lives, and maximum distribution amounts in the document.

As a general rule, the charity should not accept appointment as the trustee of a charitable lead trust. In every instance, there is a non-charitable beneficiary at the end of term who may or may not be appreciative of the investment management role

and investment decisions made during the trust term.

Pooled income funds are not specifically included on this list. Organizations that maintain pooled income funds should specify initial minimum gift sizes, minimum gift sizes for additions, and restrictions on the type of property that may be contributed. Tax exempt bonds are prohibited by statute. It is generally appropriate to restrict gifts to cash and taxable securities.

**Retirement Plan Beneficiary Designations, Bequests, and Life Insurance Beneficiary Designations.** Donors should be encouraged to name your nonprofit as beneficiary of retirement plan designations, life insurance designations, and estate bequests. Educate your donors about how to properly name your organization and encourage them to work with you to plan gifts for special purposes. There is little that your gift acceptance policies can regulate on these forms of gifts since these gifts do not require the approval of, or acceptance by, the charity.

**Weird Charitable Gifts.** As an afterthought, consider the following types of property and how they might be processed by your organization.

- **Livestock.** Cows (and other livestock, thoroughbreds, and breeding stocks) are generally considered to be gifts of tangible personal property. If the livestock is personal property, the donor is limited to basis since the cow will probably not fit the related use rules. However, if the livestock is a gift from a farmer, it may not be considered personal property, but may be a long-term capital gain asset. If so, the donor must think about how to measure gain on the gift. Is the holding period measured by the herd, or by the individual cow (think of calves)? And finally, consider the fact that when cows are long-term capital gain property, they can be depreciated.
- **Farm equipment.** Gifts of farm equipment and grain can be made to charity or to a charitable remainder trust. These assets, almost always heavily depreciated and having a low tax basis, may have the greatest impact when contributed to a charitable remainder trust. This is because the recognition of income and tax on the sale of the asset may be avoided by using the charitable remainder trust. Think of retiring farmers. The downside to this gift is that it is difficult to value, and these assets may be difficult to sell within the trust.
- **Frequent flyer miles.** Frequent flyer miles are often solicited by charity. However, the miles may generate no deduction at all since they appear to be ordinary income property and the deduction is limited to basis. However, the miles have no basis since they are free rather than purchased. Consult a qualified accountant before soliciting these miles as a gift so that donors fully understand the value of the contribution.
- **Gold coins.** Some coins are personal property, while others are not. See PLR 9225036 that cites Rev. Ruling 69-63 in support of the conclusion that Krugerrands (also Maple Leafs) are not considered personal property, but are considered currency. Gold bullion, on the other hand, likely requires an appraisal from a commodities broker or other such dealer since the units are not standardized. Note it is also unlikely that gold bullion would have a use related to the charity's business so that the deduction would be limited to non-use deduction limits.
- **Leased property.** The character of the gift of a leased building depends on the lease. If the lease is a straight lease, it is probably passive income and will not trigger the unrelated business income tax (UBIT) rules. If the lease is keyed to the success of the business (the higher the business income, the higher the lease payment) then the payments may be business income and therefore UBIT. Have the lease reviewed by legal counsel before acceptance.
- **Partnership interests, limited.** Be leery of real estate limited partnerships. Many report large income amounts, but disburse only enough cash for taxes. In other words, there are terrible cash flow problems. Is this good for charity? Likely not. Also watch out for unrelated business income problems.
- **Partnership interests, general.** General partnership interests represent a real danger to nonprofits since the general partner can be held fully liable for the acts of the partnership. Avoid general partnership interests unless there is some assurance that the nonprofit can avoid this liability. Have all partnership interests reviewed by counsel before acceptance.
- **Patents.** Patents produce royalty income that is excluded from unrelated business taxable income under section 512(b)(2).
- **Savings Bonds.** Donors can not transfer ownership of savings bonds during life without triggering the income tax due on those bonds because savings bonds have restricted transfer requirements. A donor who wishes to transfer savings bonds should transfer them by specific bequest of the bonds to charity under will. A specific bequest of the bonds will shift the built-in income to charity (with no adverse tax result). Be careful, however. Bonds that are registered jointly will pass to the survivor and will not be subject to the terms of the will. <sup>6</sup>
- **Time Share Interests.** Time sharing ownership interests abound and are often not worth what the purchaser anticipated. When the reality of the time share arrangement sets in, and the glow of the arrangement dims, many individuals look for ways to escape the annual fees and to get their money back. Also be aware that time shares may be fractional interests in real estate. Valuation, sale, and environmental liability are concerns.

## Appraisals

The policy should state clearly who is responsible for appraisals required for the donor's tax return (the donor), and when, if ever, exceptions to this policy can be made. Policies should also list situations in which the charity will obtain an independent appraisal. Some charities also require that the donor pay for the charity's confirming appraisal.

## Legal Fees and Professional Fees



Legal fees for completion of the gift are the responsibility of the donor; it is helpful to have this statement incorporated in the gift acceptance policy. In the event that the nonprofit provides for an exception, the exception rules should address the conditions under which the nonprofit will pay those fees, how the conflict of interest issues will be avoided, and how the payment of fees will be reported for tax purposes.

## Valuation of Gifts on the Nonprofit Books

There are three points at which gift valuation is important. The first is the valuation of the gift for tax purposes. These rules are clearly established in the Internal Revenue Code. The second is the valuation of the gift for gift credit purposes. Some gifts are recorded at the donor's date of gift value, while others are recorded net of sales costs. The third is the value of the gift on the organization's books, governed in most instances by the Financial Accounting Standards Board (FASB) rules. The most important point is that the valuation on the nonprofit development records and books should be consistently calculated. Discuss these issues at the outset so that records reflect "apples to apples" results over time.

## Filing of IRS Forms on Sale

Few organizations focus on the filing requirements for Forms 8282 and 8283. It is helpful to include a statement delegating this duty to a particular office or individual by title and to include copies of the forms and instructions as an attachment to the policy.

## Acknowledgement of gifts

Provide the names of the individuals responsible for acknowledgement, and set a standard for the time in which acknowledgement is to be completed.

## Changes to policies

The governing body of the nonprofit should adopt changes to the policy. However, the policy should anticipate change and provide a process for amendment.

## Attachments

Attachments providing detail and guidance to the development office are extremely helpful and serve as a guide to procedure. Attachments that are most valuable include:

- *The Real Estate Environmental Management Policies*. These policies, described in the section above, should be attached if adopted for the acceptance of real estate. <sup>7</sup>
- *IRS Form 8283 and Instructions*. This form must be filed by the donor and signed by the receiving charity when non-marketable gifts of greater than \$5,000 are involved.
- *IRS Form 8282 and Instructions*. This form must be filed by the charity upon the sale or disposition (within two years of receipt) of non-marketable gifts greater than \$5,000 upon receipt.
- *IRS Publication 526 Charitable Contributions*. This IRS publication is simply a good reference. It is sometimes attached to policies for shops that are new and need to insure quick access to the rules.
- *IRS Publication 561 Determining The Value of Donated Property*. This is an easy to use guide on valuation issues, valuation requirements, and filing requirements.

## Cautionary Tales: Stories of Disaster

Review of gift acceptance policies is always a tedious process. Invariably, the committee working to draft the policies loses its focus by the second or third reading, and begins to wonder of the need for such painstaking detail.

At this point, a cautionary tale or two generally provides the incentive to keep moving. Sometimes experience is the best teacher, and learning from the mistakes of others is always less expensive and less painful. There are many cautionary tales to learn from, but the following stories address the need for policies.

## Very Bad Personal Property Gifts

Examples of bad personal property gifts are easy to find. Consider the following gifts.

A long-term donor to a college, and a personal friend of the president of the college, contributed a large, orange, clay vessel gift purchased on a trip to South America. The gift was presented with the restriction that it be displayed in the organization's lobby (perhaps to address the related use rules). Although the gift was accepted, the school eventually was forced to go back

to the donor to rescind the display agreement. There was no market for the pot, which now sits in a storage closet. The donor has discontinued support of the school.

A high profile alumnus of a Southeastern preparatory school made a gift of a 53-foot Hatteras, delivered via deed of gift and docked in Fort Lauderdale at Pier 77. The prep school began to receive the harbormaster's bills the next month, which included dockage (by the foot), connection fees, and maintenance. In addition, the school was forced to insure the boat (replacement and liability). The sale took two and a half years and netted roughly half of the anticipated value (then reduced by the out-of-pocket costs for the two and a half years).

A long-term donor funded an arts organization campaign pledge (for a named room in the new building) with the gift of a 40-carat emerald ring. Although the appraised cost of the gem was \$43,000, the charity received only \$19,000 after the out-of-pocket costs to insure, transport, and market the jewel in the wholesale market in New York. Should the room still be named for the donor? Should the donor be asked to contribute the balance?

## Potentially Worse Gifts Of Real Estate

There are more true tales of woe resulting from gifts of real estate than any single asset. Consider these gifts.

A well-known Midwestern charity received a gift of not one, but two, paint factories in the early 1980s. These gifts soon matured into Environmental Protection Agency Superfund sites. It cost the charity roughly \$1 million over the value of the property to settle the joint and several liabilities imposed by CERCLA to extricate itself from the first gift, and somewhat more than that to settle the second gift.

A school foundation received a \$50,000 gift of real estate (house and lot) from a new donor to the institution. The property remained on the market for two years, but failed to sell, even after a reduction in price to \$25,000, because of a squatter on the property. The property was eventually transferred to the church next door as a gift.

A hospital foundation accepted a \$40,000 gift of real estate, non-income producing, in exchange for a gift annuity. At the donor's request, the nonprofit agreed that it would not sell the property for two years. In reviewing this transaction, the first phrase that comes to mind is "tax fraud." The second phrase that comes to mind is "cash flow." The third phrase might be "Directors and Officers Insurance."

## The Ungrateful (Shall We Say Angry) Donors

Donors can become angry about gift transactions when the tax result is different than anticipated. Consider these examples.

A donor contributed a painting, valued at \$35,000 with a basis of \$2,500, to a performing arts organization. The charity intended to sell the painting upon receipt, but did not discuss this with the donor. The painting was sold within three months. Although the donor's accountant was aware of the gift, the accountant was not familiar with the related use rules and did not ask whether the painting would be used as a part of the organization's nonprofit operations. The donor's \$35,000 deduction withered to \$2,500.

A donor, who made significant annual mutual funds gifts to a charity each December, called on December 1 to inform the charity of the current year gift. Shortly thereafter, the mutual fund company sent the planned giving officer some forms needed to open the nonprofit's account. The PGO placed the forms in her "to do" box, and finally completed them on December 30, making personal delivery to the broker representing the fund. The PGO made an entry for the gift on the December gift log, and did not think about the gift again until February, when she received a mutual fund statement showing a transfer of the mutual fund on January 15. Imagine the discussion with the donor.

## Conclusion

Once you have policies in place, review them regularly. Associate the review with the first meeting of the gift acceptance committee, professional advisory committee, or development committee each year.

Use the review as an opportunity to educate, to preach, and to probe for potential gift opportunities. Involve the committee and the board through cautionary tales, or solicitation of experiences with other organizations that could have been avoided. Treat them as your most valuable insurance policy.

Do not be afraid to make changes where current policy did not provide protection, produced a bad result, or fell short of providing guidance. Every organization is different. Draft your policies to meet your needs, your problems, and to reflect your values.

1. *Ferguson v. Commissioner*, 174 F3d 997 (9th Cir. 1999).[back](#)
2. *Ibid.* [back](#)
3. *City of Phoenix v. Garbage Services*, 827 F. Supp. 600 (D. Ariz. 1993).[back](#)
4. CERCLA, § 107(n)(1).[back](#)
5. CERCLA, § 107(n)(3).[back](#)
6. See PLR 8010082 (December 13, 1979) for further info on EE/H bonds.[back](#)
7. Attached as **Exhibit B**.[back](#)

Do you have a gift acceptance policy? Most nonprofit organizations do not have such a policy adopted until after the fundraising program is in place. This article by Kathryn W. Miree, Esq. will give the reader a greater understanding of the purpose of, as well as how to draft and adopt, gift acceptance policies.



Web site:  
<http://www.pgdc.com>

Phone: 704.698.4050

Source URL: <https://www.pgdc.com/pgdc/understanding-and-drafting-nonprofit-gift-acceptance-policies>

**RESOLUTION NO. 2019-\_\_**

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION  
ADOPTING GIFT ACCEPTANCE POLICY**

**WHEREAS**, the Board of Directors of the San Bruno Community Foundation created the Ad Hoc Committee on Gift Acceptance Policy and charged the Committee with drafting a gift acceptance policy to set forth the guidelines and process for gift acceptance and administration on September 4, 2019;

**WHEREAS**, the Committee, with support from the Executive Director and the Foundation's nonprofit legal counsel, recommends that the the Board adopt the Gift Acceptance Policy attached as Exhibit A;

**WHEREAS**, having a gift acceptance policy such as the one set forth in Exhibit A is a best practice for guiding nonprofit organization like the Foundation in the acceptance and administration of gifts to the organization; and

**WHEREAS**, the Board has reviewed the Gift Acceptance Policy attached as Exhibit A and determined that it is appropriate for the Foundation;

**NOW, THEREFORE, BE IT RESOLVED**, the Board of Directors adopts the San Bruno Community Foundation Gift Acceptance Policy attached as Exhibit A.

Dated: November 6, 2019

ATTEST:

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John McGlothlin, Secretary

I, John McGlothlin, Secretary, do hereby certify that the foregoing Resolution No. 2019-\_\_ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 6<sup>th</sup> day of November, 2019, by the following vote:

AYES:        Board members:

NOES:        Board members:

ABSENT:     Board members:

**THE SAN BRUNO COMMUNITY FOUNDATION  
GIFT ACCEPTANCE POLICY**

The following policies govern the acceptance of gifts made to The San Bruno Community Foundation ("SBCF") for purposes that will help the organization further its charitable mission.

**Mission**

SBCF's mission is to advance charitable purposes within the meaning of Internal Revenue Code ("IRC") Section 501(c)(3). In furtherance of its mission, SBCF's more specific purpose is to benefit the San Bruno community through enduring and significant contributions to, and investments in, charitable and community programs, and publicly owned community facilities, over the long term. In furtherance of that purpose, SBCF shall conduct or support activities for the benefit, or to carry out the purposes, of organizations, including but not limited to, the City of San Bruno, that: (i) benefit the San Bruno community, and (ii) are described in either (x) IRC Sections 501(c)(4), 501(c)(5), or 501(c)(6) but only if they would be described in IRC Section 509(a)(2) were they organizations described in IRC Section 501(c)(3), or (y) IRC Sections 509(a)(1) or (a)(2).

**Purpose**

The purpose of this Gift Acceptance Policy is to govern the acceptance of gifts offered to SBCF and to provide guidance to donors and their professional advisors in completing gifts.

**Donor's Use of Legal Counsel**

SBCF shall encourage a donor to seek his or her own legal counsel about any legal and/or tax consequences to or for the donor resulting from a gift to SBCF. SBCF shall not provide legal, financial, or tax advice to any donor or prospective donor.

**SBCF's Use of Legal Counsel**

SBCF shall seek the advice of an attorney or other qualified professional advisor in matters related to the acceptance of a gift, prior to such acceptance, when appropriate. Review by an appropriate attorney is recommended for:

- Gifts of real property;
- Gifts of stock/memberships/ownership interests of closely held companies;
- Gifts involving contracts or any assumption of an obligation by SBCF;
- Gifts subject to unusual restrictions;
- Gifts that may involve an actual or perceived conflict of interest; and

## Exhibit A

- Transactions in which the Executive Director, Board of Directors, or authorized Board Committee believes that the use of legal counsel is appropriate.

### **Acceptance of Gifts in General**

SBCF will generally accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with SBCF's mission, exempt purposes, and priorities. However, SBCF shall have the sole discretion to accept or reject any gift offered to the organization. Except as otherwise set forth in this Gift Acceptance Policy, the SBCF Executive Director shall have the authority to accept or reject any gift offered to the organization on its behalf. SBCF's decisions regarding its programmatic and grantmaking activities will be in the sole discretion of SBCF and its Board of Directors and shall not be unduly influenced by any offered or accepted gift to the organization.

In general, SBCF shall strive not to accept any gifts that: (1) are for purposes that are outside of or do not further the mission and objectives of SBCF; (2) could in any way damage the reputation or goodwill of SBCF; (3) could damage SBCF's status as a tax-exempt organization; (4) are too difficult or expensive to administer; (5) violate or are inconsistent with the terms of SBCF's organizational documents or other policies; (6) could create an actual or perceived conflict of interest for the organization; (7) are too restrictive in purpose or otherwise result in a burden that may diminish SBCF's ability to further its mission; or (8) are otherwise deemed not to be in the best interests of the organization for any reason. Should SBCF receive an offer of a gift that the Executive Director believes may fall into one or more of the categories listed above, the Executive Director shall confer with the President regarding such offered gift. If the Executive Director and President agree that the offered gift falls within one or more of the categories listed above, or are uncertain whether it does, they shall bring the offered gift to the attention of the SBCF Board of Directors. The SBCF Board of Directors shall discuss and decide whether to accept or reject the offered gift. In making its decision, the Board of Directors shall consider all relevant factors. The decision of the SBCF Board of Directors regarding such acceptance or rejection shall be final.

### **Donor Fees and Expenses**

Fees and expenses associated with a donor's gift and its transfer to SBCF, such as appraisal fees, environmental audits, and title binders for gifts of real estate, or other third party professional fees, shall be the exclusive responsibility of the donor.

### **Types of Gifts**

The following types of gifts may be acceptable, as determined by the SCBF Board of Directors and/or Executive Director, in their sole discretion, subject to other provisions of this Gift Acceptance Policy:

## Exhibit A

- **Cash.** Cash will be accepted in any negotiable form. Checks must be made payable to “The San Bruno Community Foundation.”
- **Securities.**
  - Publicly Traded Securities. Publicly traded securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor’s signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the SBCF Board of Directors. In some cases, marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the SBCF Board of Directors.
  - Closely Held Securities. Closely held securities, which include debt and equity positions in non-publicly traded companies as well as interests in LLPs, LLCs, and other ownership forms, may be accepted subject to the approval of the SBCF Board of Directors. However, gifts must be reviewed prior to acceptance to determine that (1) there are no restrictions on the security that would prevent SBCF from ultimately converting those assets to cash; (2) the security is marketable (*i.e.*, a buyer is in a position to buy the stock); and (3) the security will not generate any undesirable tax consequences for SBCF. Further, prior to acceptance, gifts shall be valued by an independent appraisal, which shall typically be the donor’s obligation (note that the donor may require a *qualified appraisal* in order to take an income tax deduction if a gift of nonpublicly traded securities is valued at \$10,000 or more). If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The final determination on the acceptance of closely held securities shall be made by the SBCF Board of Directors, and, as necessary, legal counsel. Every effort will be made to sell non-marketable securities as quickly as possible.
- **Tangible Personal Property.** Gifts of tangible personal property to be used by SBCF in furtherance of its mission may be accepted subject to approval of the Executive Director. Gifts of tangible personal property that will not be used by SBCF in furtherance of its mission may be accepted subject to approval of the SBCF Board of Directors; provided, however, that gifts with a value of under \$5,000 shall require only the Executive Director’s approval. Gifts of tangible personal property that will not be used by SBCF in furtherance of its mission must be reviewed prior to acceptance for (1) marketability; (2) restrictions on their use and sale; and (3) costs associated with possession, ownership, and sale. In addition, SBCF shall only accept vehicles through an established and reputable third-party vehicle donation organization where SBCF receives net proceeds of the gross sales less towing/cleaning/advertising costs and no

## Exhibit A

more than a 30 percent administrative fee that the vehicle donation organization charges to all charities using its services.

- **Real Estate.** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, SBCF shall require an initial environmental review of the property to ensure that the property has no environmental or hazardous waste problems. In the event that the initial inspection reveals a potential problem, SBCF shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

When appropriate, a title binder shall be obtained by SBCF prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the SBCF Board of Directors and by SBCF's legal counsel. Criteria for acceptance of the property shall include: (1) usefulness to SBCF; (2) valuation; (3) marketability; (4) restrictions, reservations, easements, or other limitations associated with the property; (5) carrying costs, which may include insurance, property taxes, mortgages, or notes, *etc.*, associated with the property; and (6) environmental, hazardous waste, and other risks associated with the property.

- **Bequests.** Donors and supporters of SBCF may make bequests to SBCF under their wills and trusts. To the extent possible and appropriate, SBCF shall encourage donors to describe the specific purposes of their gifts as broadly as possible and to avoid detailed limitations and restrictions in recognition of the changing needs, policies, and circumstances of a charity over time. Because of such changes over time, to the extent permissible under applicable law, endowments shall contain the following (or a similar) contingency clause: "If in the opinion of SBCF's Board of Directors, all or part of the funds cannot be applied in strict conformance with the purpose(s) previously stated, the Board may use these funds for other appropriate purposes as nearly aligned to the original intent of the donor as good conscience and need dictate within the authorized powers of SBCF."

The nature of the bequest (*e.g.*, cash, securities, personal property, real estate) and any associated restrictions shall determine whether and how the bequest shall be accepted by SBCF, subject to other provisions of this Gift Acceptance Policy. Bequests will not be recorded as gifts to SBCF until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

- **Life Insurance Beneficiary Designations.** Donors and supporters of SBCF may name SBCF as the beneficiary or contingent beneficiary of their life insurance policies. Such



## Exhibit A

designations shall not be recorded as gifts to SBCF until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

- **Retirement Plan Beneficiary Designations.** Donors and supporters of SBCF may name SBCF as the beneficiary of their retirement plans. Such designations shall not be recorded as gifts to SBCF until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
- **Charitable Remainder Trusts.** SBCF may accept designation as a remainder beneficiary of a charitable remainder trust with the approval of the SBCF Board of Directors. SBCF will not accept appointment as Trustee of a charitable remainder trust.
- **Charitable Lead Trusts.** SBCF may accept a designation as an income beneficiary of a charitable lead trust. SBCF will not accept appointment as Trustee of a charitable lead trust.

### Reporting Requirements

SBCF is responsible for filing IRS Form 8282 (Donee Information Return) upon the sale or disposition of any asset sold within three years of receipt by SBCF when the charitable deduction value of the item is more than \$5,000, subject to certain limited exceptions. Where required, SBCF must file this Form within 125 days of the date of sale or disposition of the asset.

SBCF shall provide a *written acknowledgement* to donors who make any single charitable contribution of greater than \$250, and a *written disclosure* to donors who receive goods or services in exchange for a single payment in excess of \$75. The acknowledgement and disclosure shall include a description and good faith estimate of the value of goods or services, if any, provided by SBCF in return for the contribution (subject to the token and membership benefits exceptions) and shall describe (but not value) any non-cash contributions made by the donor. IRS Publications 526 (Charitable Contributions) and 1771 (Charitable Contributions: Substantiation and Disclosure Requirements) may be used by SBCF's staff as a reference for fulfilling federal reporting requirements.

### Exceptions & Modifications

This Gift Acceptance Policy has been reviewed by SBCF's Board of Directors, which has the power to make changes, or authorize exceptions, to this Gift Acceptance Policy at any time. Any exceptions to or deviations from this Gift Acceptance Policy must be approved by the SBCF Board of Directors.

# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Report from Ad Hoc Committee on Board Development

At the November 6, 2019, Regular Board Meeting, the Ad Hoc Committee on Board Development will report on plans regarding the onboarding of three new Board members. Committee Chair Emily Roberts will make the report on behalf of the Committee. Secretary John McGlothlin and Board Member Nancy Kraus also serve on the Committee.

#### **1. Onboarding of New Board Members**

On July 23, 2019, upon the recommendation of the Board, the San Bruno City Council appointed Jim Ruane to fill the remainder of Dr. Regina Stanback Stroud's term (July 23-December 31, 2019). The Council also appointed Mr. Ruane, Raul Gomez, and Malissa Netane-Jones to four-year Board terms beginning January 1, 2020, and terminating on December 31, 2023.

Under the original charge of the Ad Hoc Committee on Board Development, the Committee's purpose is to make recommendations and propose strategies for improving the effectiveness of the Foundation's Board of Directors, including training for Board members, development of an orientation plan for new Board members, identification of experience and expertise needed on the Board, and enhancement of processes to bolster the Board's effectiveness.

As reported in September, since the appointment of the new Board members, the Committee has been working on an onboarding plan of concrete steps to provide orientation and training to the new Board members. The goals of this plan are to provide the new members with substantive background on the Foundation – its history, strategy, programs, and finances – as well as the City of San Bruno; to provide board development training to support new members in effectively serving on the Board; and to provide all Board members with the opportunity to get to know each other in order to foster a collegial and collaborative environment.

At the September Board meeting, the Committee outlined a three-part onboarding plan for the new Board members. Based on feedback from the Board and further deliberations, the

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Committee has slightly tweaked its plans, and staff is moving forward to implement the following efforts:

a. Board Resource Binders

I am assembling Board Resource Binders for all new and continuing Board members. The binders will include key corporate documents such as the articles of incorporation, bylaws, and conflict of interest, whistleblower, and document destruction and retention policies; finance and investment-related documents such as the Investment Policy Statement, Investment Operating Plan, Fiscal Policies and Procedures, the most recent audited financial statements, and the fiscal year 2019-2020 budget; program-related documents such as the Program Strategy Framework and information on the Crestmoor Neighborhood Memorial Scholarship, Community Grants, and various strategic grants; Foundation Annual Reports; historical documents such as the City's settlement, trust, and indemnity agreements with PG&E; and resources on public service ethics laws and the Brown Act. The binders will serve as a single repository of all key documents related to the Foundation and can be easily brought to meetings as reference guides.

I am also creating an electronic form of the Board Resource Binders – namely, an online resource folder in Google Drive that will serve as a repository for all Board materials Board members may need. This folder will contain electronic copies of all the materials in the Board Resource Binder, plus other resources that are too lengthy to print (*e.g.*, the Foundation's directors and officers liability insurance policy) or that Board members should be able to access but do not necessarily need in hard copy in a binder (*e.g.*, signed Board meeting minutes).

b. New Board Member Orientation

An in-person new Board Member orientation is planned for the afternoon of December 2. This training will include a substantive orientation on key aspects of the Foundation, including its history, mission and vision, structure, programs, strategy, and finances; an overview of the Crestmoor Scholarship and Community Grants Fund review panel processes; and an overview of the City of San Bruno, including an understanding of the City Council, City Manager, City departments, and their decision-making processes. It will also a primer on the Brown Act and training on issues related to ethics and conflicts of interest. Board Member Nancy Kraus and Treasurer Tim Ross will assist me in presenting the portions of the orientation related to the history of the Foundation and finance/investments matters, respectively. San Bruno City Manager Jovan Grogan will provide the introduction to the City, and City Attorney Marc Zafferano will offer the Brown Act and ethics overviews.

# SAN BRUNO

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#### c. Board Development Study Session

The original plan was for the new Board member orientation to include a Board development training session focused on the role of the Board and individual Board members, how the Board can effectively support the Executive Director, and Board operational norms. After discussion, the Committee decided that this session would best be accomplished with the entire 2020 Board participating, so that all Board members can discuss important issues about how the Board will operate and share a common understanding of the roles of the Board as a whole and of individual Board members. The Committee would like to hold this study session as part of the first Board meeting of the year, which will likely be held in late January to conduct the Executive Director's annual performance review. I will be in touch with new and continuing Board members to check availability to schedule this meeting.

#### d. Study Session on the Future of the Foundation

The fourth Board development effort will be to begin a new strategic planning process on the future of the Foundation once the \$50 million for the City's new Recreation and Aquatics Center have been fully disbursed. This process will explore the Foundation's strategy once its investment holdings decrease to about \$20 million, its role in the community, and the size and scope of its ongoing operations. Based on feedback received at the September Board meeting, the Committee proposes moving forward with this process by creating an ad hoc committee on strategic planning, charged with leading this effort, in the new year once the new Board members are seated. Retiring Board members would be invited to attend the strategic planning sessions and participate as community members. The Committee also sees value in using an outside facilitator to help lead the strategic planning sessions, so that all Board members and staff can engage in the discussion.

## 2. Next Steps

I am in the process of implementing the first two components listed above (Board Resource Binders and New Board Member Orientation). I will work with the new President to plan the Board Development Study Session to be held in January. Finally, at one of the first meetings in 2020, the Board will consider creating an ad hoc committee on strategic planning to lead the fourth component focused on developing the future strategy for the Foundation.

# SAN BRUNO

## Community Foundation

### Memorandum

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**DATE:** November 1, 2019

**TO:** Board of Directors, San Bruno Community Foundation

**FROM:** Leslie Hatamiya, Executive Director

**SUBJECT:** Election of Officers for 2020

The San Bruno Community Foundation has four elected officers: President, Vice President, Secretary, and Treasurer. Article VIII, Section 2, of the Bylaws states:

The officers of the Corporation, except the Executive Director and those appointed under Section 3 of this Article [meaning those other than the President, Vice President, Secretary, and Treasurer], shall be chosen annually by the Board for one-year terms starting on January 1 and shall serve at the pleasure of the Board, subject to the rights, if any, of any officer under any contract of employment, and subject to the approval of the City Council.

At its September 7, 2016, meeting, the Foundation Board adopted two documents – (1) San Bruno Community Foundation General Principles Regarding Election of Officers, and (2) San Bruno Community Foundation Process for Electing Officers – which now govern the Foundation's election of officers.

Under the Process for Electing Officers:

Officer elections are held no later than the Board's regular November meeting, so that, per the Bylaws, the San Bruno City Council can consider and approve the officers by December 31. Prior to the making of nominations, the subject of elections will be agendized to give Board members the opportunity to comment.

Pursuant to this item, the agenda for the Board's September 4, 2019, meeting included a discussion regarding the election of officers for 2020.

Under the process, the officers shall be elected by the Board of Directors, in the following order:

- President
- Vice President
- Secretary
- Treasurer

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Nominations, including self-nominations, for an office are made orally at the meeting. A nomination must receive a second prior to any vote on that nomination. A Director nominated for an office may decline the nomination, even if the nomination has been seconded. After nominations are taken, the Board is to take a vote. If there is more than one candidate for an office, the Secretary shall conduct a roll-call vote, with each Director casting his/her vote for one candidate. To be elected, a candidate must receive votes from a majority of Directors participating in the meeting.

Following this process, officer elections for 2020 will take place at the Board's November 6, 2019, Regular Meeting. The City Council will consider approving the slate of elected officers for 2020 at its November 26, 2019, Regular Meeting.