

THE SAN BRUNO COMMUNITY FOUNDATION

**Financial Statements and
Report of Independent Auditors**

**For the year ended June 30, 2021
with comparative totals as of and
for the year ended June 30, 2020**

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of The San Bruno Community Foundation, a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2021, 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, 2021, 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, 2020, and our report dated October 23, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Novogradac & Company LLP

Petaluma, California
October 19, 2021

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2021
with comparative totals as of June 30, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 582,323	\$ 658,720
Investments (See Note 4)	78,762,935	74,720,584
Prepaid expenses	20,053	19,248
Deposits	<u>909</u>	<u>909</u>
 Total assets	 <u>\$ 79,366,220</u>	 <u>\$ 75,399,461</u>

LIABILITIES

Accounts payable	\$ 36,636	\$ 32,640
Accrued scholarships	315,000	275,000
Accrued grants payable	<u>4,151,188</u>	<u>5,208,150</u>
Total liabilities	4,502,824	5,515,790

NET ASSETS

Without donor restriction		
Board designated	22,908,701	18,346,430
Non-designated	51,853,495	51,436,041
With donor restriction	<u>101,200</u>	<u>101,200</u>
Total net assets	<u>74,863,396</u>	<u>69,883,671</u>
 Total liabilities and net assets	 <u>\$ 79,366,220</u>	 <u>\$ 75,399,461</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2021
with comparative totals as of June 30, 2020

	2021			2020
	Without donor restriction	With donor restriction	Total	Total
REVENUE AND OTHER SUPPORT				
Donations	\$ 987	\$ 178,349	\$ 179,336	\$ 172,505
Investment return, net	7,813,404	-	7,813,404	3,357,156
Miscellaneous income	6,718	-	6,718	15,400
Net assets released from restrictions	178,349	(178,349)	-	-
	<u>7,999,458</u>	<u>-</u>	<u>7,999,458</u>	<u>3,545,061</u>
EXPENSES				
Program expense	2,801,661	-	2,801,661	2,553,335
Management and general	218,072	-	218,072	155,731
	<u>3,019,733</u>	<u>-</u>	<u>3,019,733</u>	<u>2,709,066</u>
CHANGE IN NET ASSETS	4,979,725	-	4,979,725	835,995
NET ASSETS AT BEGINNING OF YEAR	<u>69,782,471</u>	<u>101,200</u>	<u>69,883,671</u>	<u>69,047,676</u>
NET ASSETS AT END OF YEAR	<u>\$ 74,762,196</u>	<u>\$ 101,200</u>	<u>\$ 74,863,396</u>	<u>\$ 69,883,671</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended June 30, 2021

with comparative totals as of June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>2020 Total</u>
PERSONNEL EXPENSES				
Salaries and wages	\$ 156,285	\$ 69,272	\$ 225,557	\$ 194,557
Payroll taxes and benefits	18,160	8,643	26,803	30,151
Total personnel expenses	<u>174,445</u>	<u>77,915</u>	<u>252,360</u>	<u>224,708</u>
OTHER EXPENSES				
Scholarships	195,000	-	195,000	190,000
Grants	2,375,438	-	2,375,438	2,133,156
Rent	10,436	4,627	15,063	15,037
Insurance	-	22,584	22,584	19,029
Telecommunications	1,750	777	2,527	1,813
Postage and shipping	2,938	1,301	4,239	1,863
Marketing and communications	8,876	2,670	11,546	11,321
Office supplies	2,581	383	2,964	4,013
Legal fees	17,848	23,486	41,334	27,786
Accounting and payroll fees	-	31,945	31,945	30,066
Other professional services	12,306	49,977	62,283	46,293
Travel, meetings and conferences	43	1,025	1,068	2,470
Miscellaneous	-	1,382	1,382	1,511
Total other expenses	<u>2,627,216</u>	<u>140,157</u>	<u>2,767,373</u>	<u>2,484,358</u>
TOTAL EXPENSES	<u>\$ 2,801,661</u>	<u>\$ 218,072</u>	<u>\$ 3,019,733</u>	<u>\$ 2,709,066</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
with comparative totals as of June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,979,725	\$ 835,995
Adjustments to reconcile change in net assets to net cash used in by operating activities:		
Net realized/unrealized gain on investments	(6,213,011)	(1,532,527)
(Decrease) increase in assets:		
Deposits	-	344
Interest receivable	-	3,735
Prepaid expenses	(805)	(3,833)
Increase (decrease) in liabilities:		
Accounts payable	3,996	2,322
Accrued scholarships	40,000	92,500
Accrued grants payable	(1,056,962)	(1,113,397)
Net cash used in operating activities	(2,247,057)	(1,714,861)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of securities	2,170,660	2,107,855
 Net change in cash, and cash equivalents	(76,397)	392,994
Cash and cash equivalents at beginning of year	658,720	265,726
Cash, cash equivalents and restricted cash at end of year	\$ 582,323	\$ 658,720

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2021

with comparative totals as of and for the year ended June 30, 2020

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, 2020, from which the summarized information was derived.

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.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2021

with comparative totals as of and for the year ended June 30, 2020

2. Summary of significant accounting policies (continued)

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, 2021 and 2020, cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>
Cash - operating	\$ 184,386	\$ 250,131
Liquidity fund cash	<u>397,937</u>	<u>408,589</u>
Total cash and cash equivalents	<u>\$ 582,323</u>	<u>\$ 658,720</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).

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 SAN BRUNO COMMUNITY FOUNDATION
Notes to Financial Statements
June 30, 2021
with comparative totals as of and for the year ended June 30, 2020

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

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, 2021 and 2020:

		June 30, 2021			Fair Value
		Level 1	Level 2	Level 3	Measurements
Assets					
Liquidity pool					
Mutual funds	\$	2,685,565	\$ -	\$ -	\$ 2,685,565
Exchange traded products and ETFs		<u>21,266,609</u>	-	-	<u>21,266,609</u>
Total liquidity pool		23,952,174	-	-	23,952,174
Strategic pool					
Cash reserves		40,616	-	-	40,616
Mutual funds		21,255,215	-	-	21,255,215
Exchange traded products and ETFs		<u>10,216,299</u>	-	-	<u>10,216,299</u>
Total strategic pool		31,902,060	-	-	31,902,060
Quasi-endowment pool					
Cash reserves		427,554	-	-	427,554
Mutual funds		9,804,801	-	-	9,804,801
Exchange traded products and ETFs		<u>12,676,346</u>	-	-	<u>12,676,346</u>
Total quasi-endowment pool		<u>22,908,701</u>	-	-	<u>22,908,701</u>
Total assets	\$	<u>78,762,935</u>	\$ -	\$ -	\$ <u>78,762,935</u>

		June 30, 2020			Fair Value
		Level 1	Level 2	Level 3	Measurements
Assets					
Liquidity pool					
Mutual funds	\$	3,133,004	\$ -	\$ -	\$ 3,133,004
Exchange traded products and ETFs		<u>8,835,094</u>	-	-	<u>8,835,094</u>
Total liquidity pool		11,968,098	-	-	11,968,098
Strategic pool					
Cash reserves		539,800	-	-	539,800
Mutual funds		27,005,766	-	-	27,005,766
Exchange traded products and ETFs		<u>16,860,490</u>	-	-	<u>16,860,490</u>
Total strategic pool		44,406,056	-	-	44,406,056
Quasi-endowment pool					
Cash reserves		201,089	-	-	201,089
Mutual funds		7,828,616	-	-	7,828,616
Exchange traded products and ETFs		<u>10,316,725</u>	-	-	<u>10,316,725</u>
Total quasi-endowment pool		<u>18,346,430</u>	-	-	<u>18,346,430</u>
Total assets	\$	<u>74,720,584</u>	\$ -	\$ -	\$ <u>74,720,584</u>

THE SAN BRUNO COMMUNITY FOUNDATION
Notes to Financial Statements
June 30, 2021
with comparative totals as of and for the year ended June 30, 2020

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, 2021 and 2020, miscellaneous income was \$6,718 and \$15,400, 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 the years ended June 30, 2021 and 2020, scholarship expense was \$195,000 and \$190,000, respectively. As of June 30, 2021 and 2020, accrued scholarships payable was \$315,000 and \$275,000, 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, 2021 and 2020, grant expense was \$2,375,438 and \$2,133,156, respectively. As of June 30, 2021 and 2020, accrued grants payable was \$4,151,188 and \$5,208,150, respectively.

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.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2021

with comparative totals as of and for the year ended June 30, 2020

3. Liquidity and availability of financial assets

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

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 582,323	\$ 658,720
Investments	<u>78,762,935</u>	<u>74,720,584</u>
Total financial assets	<u>79,345,258</u>	<u>75,379,304</u>
Less amounts not available due to:		
Net assets with donor restrictions	101,200	101,200
Board designated quasi-endowment fund	22,908,701	18,346,430
Grants payable	4,151,188	5,208,150
Scholarship payable	<u>315,000</u>	<u>275,000</u>
	<u>27,476,089</u>	<u>23,930,524</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 51,869,169</u>	<u>\$ 51,448,524</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.

4. Investments

Securities are stated at current market value and consist of the following as of June 30, 2021 and 2020:

		<u>2021</u>
	<u>Cost</u>	<u>Market Value</u>
Liquidity pool	\$ 23,894,129	\$ 23,952,174
Strategic pool	29,221,384	31,902,060
Quasi-endowment pool	<u>17,369,109</u>	<u>22,908,701</u>
Total securities	<u>\$ 70,484,622</u>	<u>\$ 78,762,935</u>
		<u>2020</u>
	<u>Cost</u>	<u>Market Value</u>
Liquidity pool	\$ 11,934,558	\$ 11,968,098
Strategic pool	42,041,809	44,406,056
Quasi-endowment pool	<u>16,284,909</u>	<u>18,346,430</u>
Total securities	<u>\$ 70,261,276</u>	<u>\$ 74,720,584</u>

5. Office lease

The Foundation entered into an amended office lease with San Bruno Office Associates, LLC, which expires on March 31, 2025. Current monthly payments are \$1,276. The monthly rent increases annually at a rate of 3% on April 1 of each year. For the years ended June 30, 2021 and 2020, office lease payments were \$15,063 and \$15,037, respectively.

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. For the years ended June 30, 2021 and 2020, \$9,896 and \$19,335, respectively, was contributed by the Foundation on behalf of its employees.

THE SAN BRUNO COMMUNITY FOUNDATION
Notes to Financial Statements
June 30, 2021
with comparative totals as of and for the year ended June 30, 2020

7. Net assets with donor restriction

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

	<u>2021</u>	<u>2020</u>
Community Grants Fund	\$ 100,000	\$ 100,000
Recreation & Aquatic Memorial Bench	1,200	1,200
Total net assets with donor restriction	<u>\$ 101,200</u>	<u>\$ 101,200</u>

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

	<u>2021</u>	<u>2020</u>
Community Grants Fund	\$ 100,000	\$ 100,000
First Responder Effectiveness Strategic Initiative	-	303,546
CNM Scholarships	78,349	70,000
Total net assets released from restrictions	<u>\$ 178,349</u>	<u>\$ 473,546</u>

8. Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on the Foundation’s operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Foundation’s investments, all of which are uncertain and cannot be predicted. The Foundation’s future results could be adversely impacted by delays in donations and impacts on the US market. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.

9. Subsequent events

Subsequent events have been evaluated through October 19, 2021, which is the date the financial statements were available to be issued. The following is a summary of significant transactions through October 19, 2021.

On September 16, 2021, the Foundation entered into a grant agreement with the City of San Bruno (the “City”) for \$40,464,454 (the “Grant”) in connection with the construction of the San Bruno community recreation and aquatic center and related project costs. The Grant will be disbursed in payments based on receipts of quarterly interim grant reports from the City to the Foundation until the end of the grant period on September 30, 2023.