

THE SAN BRUNO COMMUNITY FOUNDATION

Financial Statements
and
Report of Independent Auditors

For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

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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, 2015, and the related statements of activities and changes in net assets, and cash flows for the period beginning July 24, 2013 (inception) and ending June 30, 2015, 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 auditor considers 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, 2015, and the changes in its net assets and its cash flows for the period beginning July 24, 2013 (inception) and ending June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Norogradac & Company LLP

San Francisco, California
October 27, 2015

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

Cash and cash equivalents	\$ 178,045
Accounts receivable	90
Prepaid expenses	7,374
Deposits	<u>1,520</u>
Total assets	<u>\$ 187,029</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 9,791
Total liabilities	<u>9,791</u>
Unrestricted net assets	<u>177,238</u>
Total liabilities and net assets	<u>\$ 187,029</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

UNRESTRICTED NET ASSETS	
REVENUE AND OTHER SUPPORT	
Restitution funds	\$ 491,031
Interest and dividends	18
Total revenue and other support	<u>491,049</u>
EXPENSES	
Program expense	83,995
Management and general	229,816
Total expenses	<u>313,811</u>
CHANGE IN NET ASSETS	177,238
NET ASSETS AT BEGINNING OF PERIOD	<u>-</u>
NET ASSETS AT END OF PERIOD	<u><u>\$ 177,238</u></u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
SALARY AND PAYROLL			
Salaries and wages	\$ 32,813	\$ 40,104	\$ 72,917
Payroll taxes and benefits	6,903	8,438	15,341
Total personnel expenses	<u>39,716</u>	<u>48,542</u>	<u>88,258</u>
OTHER EXPENSES			
Rent	1,228	1,500	2,728
Insurance	-	24,016	24,016
Telecommunications	766	937	1,703
Postage and shipping	1,296	95	1,391
Printing and copying	4,204	-	4,204
Office supplies	544	359	903
Office equipment and furniture	1,626	1,988	3,614
Organizational costs	-	139,941	139,941
Accounting and payroll fees	-	10,595	10,595
Listening campaign consultants	33,940	-	33,940
Travel, meetings and conferences	675	1,633	2,308
Miscellaneous	-	210	210
Total other expenses	<u>44,279</u>	<u>181,274</u>	<u>225,553</u>
TOTAL EXPENSES	<u><u>\$ 83,995</u></u>	<u><u>\$ 229,816</u></u>	<u><u>\$ 313,811</u></u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 177,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in assets:	
Accounts receivable	(90)
Prepaid expenses	(7,374)
Deposits	-
Increase in liabilities:	
Accounts payable	9,791
Net cash provided by operating activities	<u>179,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Funding of deposits	<u>(1,520)</u>
Net cash used in investing activities	<u>(1,520)</u>
Net increase in cash and cash equivalents	178,045
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ 178,045</u></u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2015

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 require 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 has a total fair market value of \$1,250,000 and 2) \$68,750,000 in cash, which will be transferred 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.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent funds, which are fully available or have been fully reserved, at the discretion of management, to utilize for any of its programs or supporting services. Temporarily restricted net assets are comprised of funds, which are restricted by donors for specific purposes or time periods. Permanently restricted net assets include contributions, which donors have specified must be maintained in perpetuity. As of June 30, 2015, the Foundation had no temporarily restricted or permanently restricted net assets.

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.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2015

2. Summary of significant accounting policies (continued)

Concentration of credit risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restitution funds recognition

Restitution funds are recognized when the City makes an unconditional promise to give to the Foundation.

For the period beginning July 24, 2013 (inception) and ending June 30, 2015, the Foundation recognized \$491,031 as income. This is the amount of restitution funds that the City transferred to the Foundation in February 2015. At that time, the City Council approved transfer of funds to cover the Foundation's reimbursement to the City of costs incurred in the formation of the Foundation and enough funds to cover what was estimated to be approximately a year of operating expenses.

The City is holding the balance of the restitution funds in two custodial accounts. The first account is holding the balance of the original \$68,750,000 cash payment the City received in 2012. The second account is holding the proceeds of the sale of three of the lots that were part of the restitution settlement in the amount of \$1,243,563.

For the period beginning July 24, 2013 (inception) and ending June 30, 2015, the Foundation does not believe the remaining restitution funds that the City is currently holding should be recognized as income. The Foundation must meet certain conditions before the City would be willing to authorize the transfer and the Foundation would be willing to accept the funds. The Foundation has not adopted an investment policy and has not retained the services of an investment management firm to manage the funds. The City would not approve transfer of the funds to the Foundation, and the Foundation would not accept the funds, prior to the Foundation successfully taking those actions.

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.

Furniture and equipment

The Foundation capitalizes equipment, furnishings, and leasehold improvements over \$5,000 that materially increase asset lives of one year or more. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts and any resulting gain or loss is included in operations.

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 SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2015

2. Summary of significant accounting policies (continued)

Income taxes (continued)

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.

Functional allocation of expenses

For the period beginning July 24, 2013 (inception) and ending June 30, 2015, all of the Foundation's expenses are classified as Program or Management, and there were no fundraising activities undertaken in the current fiscal year. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Foundation's management.

Organizational costs

Organizational costs are expensed as incurred.

Subsequent events

Subsequent events have been evaluated through October 27, 2015, which is the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

3. Office lease

The Foundation entered into an office lease with San Bruno Office Associates, LLC for a term of one year that commenced on April 1, 2015, with monthly rent payments of \$909. For the period beginning July 24, 2013 (inception) and ending June 30, 2015, office lease payments were \$2,728. The Foundation's total minimum rental commitments for the lease for the year ending June 30, 2016 total \$8,180.

4. 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 period beginning July 24, 2013 (inception) and ending June 30, 2015, \$3,646 was contributed by the Foundation on behalf of its employees.