THE SAN BRUNO COMMUNITY FOUNDATION

Financial Statements and
Report of Independent Auditors

For the year ended June 30, 2023
with comparative totals as of and
for the year ended June 30, 2022

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Report of Independent Auditors

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

Opinion

We have audited the accompanying financial statements of The San Bruno Community Foundation, which comprise the statement of financial position as of June 30, 2023, 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.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The San Bruno Community Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Changes in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, The San Bruno Community Foundation adopted accounting standards changes related to accounting and disclosure for leasing arrangements. Our opinion is not modified with respect to those matters.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Bruno Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The San Bruno Community Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Bruno Community Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited The San Bruno Community Foundation's financial statements for the year ended June 30, 2022, and our report dated October 19, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Novogradac & Company LLP

Petaluma, California
October 19, 2023

THE SAN BRUNO COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2023

with comparative totals as of June 30, 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 418,722	$ 307,978
Investments (See Note 4)	36,314,509	57,055,703
Right-of-use asset - office lease	28,905	-
Prepaid expenses	16,605	16,692
Deposits	909	909
Total assets	$ 36,779,650	$ 57,381,282
LIABILITIES		
Accounts payable	$ 35,730	$ 28,310
Office lease payable	28,905	-
Accrued scholarships	317,500	320,000
Accrued grants payable	9,272,687	29,785,792
Total liabilities	9,654,822	30,134,102
NET ASSETS		
Without donor restriction		
Board designated	21,212,980	19,804,108
Non-designated	5,810,648	7,341,872
With donor restriction	101,200	101,200
Total net assets	27,124,828	27,247,180
Total liabilities and net assets	$ 36,779,650	$ 57,381,282

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2023

with comparative totals for the year ended June 30, 2022

	2023			2022
	Without donor restriction	With donor restriction	Total	Total
REVENUE AND OTHER SUPPORT				
Donations	$ 236	$ 101,500	$ 101,736	$ 171,006
Investment return, net	2,726,322	-	2,726,322	(6,067,172)
Net assets released from restrictions	101,500	(101,500)	-	-
	2,828,058	-	2,828,058	(5,896,166)
EXPENSES				
Program services	2,756,598	-	2,756,598	41,551,952
Management and general	193,812	-	193,812	168,098
	2,950,410	-	2,950,410	41,720,050
CHANGE IN NET ASSETS	(122,352)	-	(122,352)	(47,616,216)
NET ASSETS AT BEGINNING OF YEAR	27,145,980	101,200	27,247,180	74,863,396
NET ASSETS AT END OF YEAR	$ 27,023,628	$ 101,200	$ 27,124,828	$ 27,247,180

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
with comparative totals for the year ended June 30, 2022

	Program Services	Management and General	Total	2022 Total
PERSONNEL EXPENSES				
Salaries and wages	$ 157,238	$ 70,088	$ 227,326	$ 226,510
Payroll taxes and benefits	18,160	9,723	27,883	31,946
Total personnel expenses	175,398	79,811	255,209	258,456
OTHER EXPENSES				
Scholarships	160,000	-	160,000	190,000
Grants	2,375,000	-	2,375,000	41,144,454
Rent	11,308	5,041	16,349	15,705
Insurance	-	18,587	18,587	22,005
Telecommunications	1,763	785	2,548	2,585
Postage and shipping	1,545	689	2,234	2,131
Marketing and communications	12,081	3,634	15,715	12,240
Office supplies	1,205	647	1,852	3,312
Legal fees	11,129	22,830	33,959	24,598
Accounting and payroll fees	-	32,950	32,950	33,532
Other professional services	7,039	25,739	32,778	8,471
Travel, meetings and conferences	130	1,131	1,261	722
Miscellaneous	-	1,968	1,968	1,839
Total other expenses	2,581,200	114,001	2,695,201	41,461,594
TOTAL EXPENSES	$ 2,756,598	$ 193,812	$ 2,950,410	$ 41,720,050

THE SAN BRUNO COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

with comparative totals for the year ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (122,352)	$ (47,616,216)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized/unrealized loss on investments	1,421,947	7,738,735
Decrease in assets:		
Prepaid expenses	87	3,361
Increase (decrease) in liabilities:		
Accounts payable	7,420	(8,326)
Accrued scholarships	(2,500)	5,000
Accrued grants payable	(20,513,105)	25,634,604
Net cash used in operating activities	(19,208,503)	(14,242,842)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales of securities	19,319,247	13,968,497
Net change in cash, and cash equivalents	110,744	(274,345)
Cash and cash equivalents at beginning of year	307,978	582,323
Cash, cash equivalents and restricted cash at end of year	$ 418,722	$ 307,978
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Increase in right-of-use asset - office lease and office lease payable	$ 28,905	$ -

see accompanying notes

1. <u>Organization</u>

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. <u>Summary of significant accounting policies</u>

<u>Basis of accounting</u>
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.

<u>Basis of presentation</u>
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.

<u>Prior period comparison</u>
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, 2022, from which the summarized information was derived.

<u>Estimates</u>
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.

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, 2023 and 2022, cash and cash equivalents consist of the following:

	2023	2022
Cash - operating	$ 206,708	$ 192,481
Liquidity fund cash	212,014	115,497
Total cash and cash equivalents	$ 418,722	$ 307,978

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.

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.

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, 2023 and 2022, scholarship expense was $160,000 and $190,000, respectively. As of June 30, 2023 and 2022, accrued scholarships payable was $317,500 and $320,000, 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, 2023 and 2022, grant expense was $2,375,000 and $41,144,454, respectively. Grant expense for the year ended June 30, 2023, included $1,500,000 for the construction of the San Bruno community recreation and aquatic center and related costs, of which $8,612,687 was payable as of June 30, 2023. Grant expense for the year ended June 30, 2022, included $40,464,454 for the construction of the San Bruno community recreation and aquatic center and related costs, of which $27,577,916 was payable as of June 30, 2022. As of June 30, 2023 and 2022, accrued grants payable was $9,272,687 and $29,785,792, 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.

2. Summary of significant accounting policies (continued)

Leases
The Foundation determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Foundation uses a risk-free rate at the commencement date in determining the present value of lease payments.

The operating lease right-of-use assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the leases when it is reasonably certain that the Foundation will exercise that option. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease terms.

The office space lease agreement with San Bruno Office Associates, LLC includes monthly predetermined rental payments. Lease liabilities are not remeasured throughout the life of the lease since all predetermined changes in the monthly rent payments have already been considered in the lease liability calculation.

Change in accounting principle
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, Leases ("FASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements.

FASB ASC 842 was adopted July 1, 2022, and any adjustment necessary, if any, was recognized through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of FASB ASC 842, on July 1, 2022 an office lease payable of $28,905 was recognized, which represents the present value of the remaining office lease payments and a right-of-use asset of $28,905 was recognized, which represents the office lease payable.

Subsequent events
Subsequent events have been evaluated through October 19, 2023, 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:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 418,722	$ 307,978
Investments	36,314,509	57,055,703
Total financial assets	36,733,231	57,363,681
Less amounts not available due to:		
Net assets with donor restrictions	101,200	101,200
Board designated quasi-endowment fund	21,212,980	19,804,108
Grants payable	9,272,687	29,785,792
Scholarships payable	317,500	320,000
	30,904,367	50,011,100
Financial assets available to meet general expenditures over the next twelve months	$ 5,828,864	$ 7,352,581

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

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, 2023 and 2022:

	June 30, 2023			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Liquidity pool				
Mutual funds	$ 5,104,835	$ -	$ -	$ 5,104,835
Exchange traded products and ETFs	3,693,822	-	-	3,693,822
Total liquidity pool	8,798,657	-	-	8,798,657
Strategic pool				
Cash reserves	78,222	-	-	78,222
Mutual funds	3,151,317	-	-	3,151,317
Exchange traded products and ETFs	3,073,333	-	-	3,073,333
Total strategic pool	6,302,872	-	-	6,302,872
Quasi-endowment pool				
Cash reserves	219,056	-	-	219,056
Mutual funds	5,868,233	-	-	5,868,233
Exchange traded products and ETFs	15,125,691	-	-	15,125,691
Total quasi-endowment pool	21,212,980	-	-	21,212,980
Total assets	$ 36,314,509	$ -	$ -	$ 36,314,509

4. Investments (continued)

	June 30, 2022			
	Level 1	Level 2	Level 3	Fair Value Measurements
Assets				
Liquidity pool				
Mutual funds	$ 2,307,459	$ -	$ -	$ 2,307,459
Exchange traded products and ETFs	6,652,247	-	-	6,652,247
Total liquidity pool	8,959,706	-	-	8,959,706
Strategic pool				
Cash reserves	617,318	-	-	617,318
Mutual funds	18,950,158	-	-	18,950,158
Exchange traded products and ETFs	8,724,413	-	-	8,724,413
Total strategic pool	28,291,889	-	-	28,291,889
Quasi-endowment pool				
Cash reserves	615,172	-	-	615,172
Mutual funds	7,409,761	-	-	7,409,761
Exchange traded products and ETFs	11,779,175	-	-	11,779,175
Total quasi-endowment pool	19,804,108	-	-	19,804,108
Total assets	$ 57,055,703	$ -	$ -	$ 57,055,703

The Foundation's investments consisted of the following cost basis when originally acquired:

	2023	2022
Liquidity pool	$ 3,682,523	$ 9,067,541
Strategic pool	6,428,033	29,016,091
Quasi-endowment pool	18,264,698	17,400,934
Total securities	$ 28,375,255	$ 55,484,566

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 $1,353. The monthly rent increases annually at a rate of 3% on April 1 of each year. For the years ended June 30, 2023 and 2022, office lease payments were $16,349 and $15,705, respectively. As of June 30, 2023, right-of-use asset – office lease and office lease payable were $28,905 and $28,905, respectively.

Future minimum lease payments under the operating lease are as follows:

April 2023-March 2024	$	1,353 per month
April 2024-March 2025	$	1,394 per month

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, 2023 and 2022, $10,102 and $19,792, 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:

	2023	2022
Community Grants Fund	$ 100,000	$ 100,000
Recreation & Aquatic Memorial Bench	1,200	1,200
Total net assets with donor restriction	$ 101,200	$ 101,200

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

	2023	2022
Community Grants Fund	$ 100,000	$ 100,000
CNM Scholarships	1,500	71,000
Total net assets released from restrictions	$ 101,500	$ 171,000